Austria	Sch22	Indonesia	Rp3100	Oman	Or 1
Bahrain	Din0.700	Iran	Rls160	Philipines	Pesos40
Belgium	BFr50	Israel	NIS3.50	Portugal	Esc140
Cyprus	C£0.90	Italy	L1700	Qatar	Qr9.50
Denmark	DKr10.50	Jordan	Fils.500	S.Arabia	Rls7.00
Egypt	E£2.25	Kuwait	Fils.500	Singapore	S$4.10
Finland	Fmk7.00	Lebanon	$250.00	Spain	Pta145
France	FFr7.00	Lux	LFr50	Sweden	SKr10
Germany	DM2.30	Malaysia	Rin4.25	Switz	SFr2.40
Greece	Dr120	Morocco	Dh8.00	Thailand	Bht50
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.800
Iceland	Ikr125	Nigeria	Naira10	Turkey	L800
India	Rup15	Norway	NKr10.00	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,880 — Wednesday June 28 1989 — D 8523A

SOVIET UNION

Wind of strife blows across Asia

Page 3

World News

Soviet PM yields to elected deputies

The Soviet Prime Minister bowed to the new-found critical voice of the country's elected deputies and abandoned eight intended members of his new government.

Six of the eight were dropped when Mr Nikolai Ryzhkov presented his full government to the Supreme Soviet for confirmation; two pulled out earlier in the face of popular hostility. Page 16

China train 'bombed'

The death toll in a dynamite explosion on a Shanghai-bound express train rose to 24 and Chinese state television, broadcasting pictures, said the blast was "man-made". China calls key meeting. Page 4

Khomeini in waiting

Efforts were under way to appoint Ahmad Khomeini, the only son of Iran's late spiritual leader, to the post of speaker of parliament. Page 4

Athens pact fails

Efforts by Andreas Papandreou, Greece's caretaker Prime Minister, to form a coalition collapsed after a rebuff from the Communist-led Alliance. Page 2

Price rises shelved

The Polish Government postponed politically risky decisions on food price rises which were to have been taken this week. Page 3

Coverage criticised

Directors of the UK's Observer newspaper said the image of the paper had been tarnished by coverage given to the dispute between the paper's owners, Lonrho, and the House of Fraser over the ownership of Harrods department store. Lex, Page 16

Moscow may act

The Soviet ambassador to Turkey indicated that Moscow may use its influence on Bulgaria to try to resolve the problem of ethnic Turks. Page 3

Savimbi pledge

Angolan rebel leader Jonas Savimbi quashed speculation he might go into exile but pledged full support for a peace plan to end 14 years of civil war. Page 4

Strike over Punjab

An estimated 80 per cent of shops and businesses remained closed in Delhi in a general strike over terrorism in Punjab. Page 4

Desert truck deaths

Search parties found the bodies of 12 people, including 11 members of the same family, who lost their way while travelling in a truck in the deserts of southeastern Algeria.

US cruiser damaged

A US nuclear-powered cruiser sustained "minor damage" to its bow after hitting the seabed on its way out of the Dutch port of Den Helder.

Iron Curtain cut

Wielding giant wire clippers, the Hungarian and Austrian foreign ministers cut a symbolic hole through the Iron Curtain dividing the countries.

De Klerk summoned

South African President P. W. Botha "welcomed" F. W. de Klerk back from his European tour with a peremptory summons to Pretoria on the pretext of attending a State Security Council meeting. Page 4

Business Summary

Bond cleared to sell off brewing units for A$3.5bn

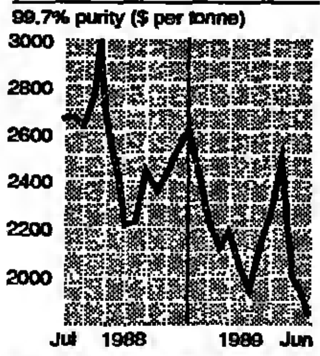
BOND Corporation, beleaguered Australian beer and media group, reached an agreement with the Australian Stock Exchange which clears the way for Bond to go ahead with the A$3.5bn ($2.7bn) sale of its brewery interests.

Bond, in an effort to reduce its debts, had proposed selling the interests to its subsidiary Bell Resources, but on Monday the exchange suspended shares because the company had not agreed to disclosure requirements. Page 17

ALUMINIUM prices continued their recent slide yesterday, with the cash quotation on the London Metal Exchange closing at the lowest level

Aluminium

99.7% purity ($ per tonne)



since December 1987. Dealers said the $11.50 fall to $1,852.50 a tonne reflected lack of physical demand and the relatively high level of LME stocks. Commodities, Page 32

TIME rejected the revised $200-a-share takeover offer from Paramount, advising its shareholders that the $12.2bn bid inadequately reflected the full value of the media group. Page 19

CONSOLIDATED Gold Fields, UK mining group, had an "amicable" meeting with Hanson, UK conglomerate, increasing hopes of an agreed deal between the two. Page 17; Lex, Page 16

COATS Viyella's plan to expand its international textile interests by taking over Tootal suffered a setback when the £395m ($610m) bid was referred to UK's Monopolies and Mergers Commission. Page 8; Lex, Page 16

JAPAN and US were set to resume talks on opening Japan's telecommunications market, continuing discussions which began on Monday, a US official said. Page 7

NATIONAL Industrialisation Company (NIC) signed a Saudi Rial 165m ($44m) contract last week with Voest-Alpine Industrien Lagenbau of Austria to build a wire-drawing plant in Jubail, industrial complex on the Gulf. Page 7

SWEDISH consortium, which includes Skanska, the country's largest construction company, and Asea Brown Boveri, has won a SKr6bn ($809m) construction power plant order. Page 7

CHAIRMEN of a number of key French nationalised groups are expected to be reconfirmed in their positions by the Socialist government, to avoid disruptive changes. Page 18

OMNICOM, world's fourth largest advertising agency group, said it was considering making a $100m Euro-convertible subordinated debenture issue. Page 31

T. BOONE Pickens, Texas corporate raider, attacked the Japanese tradition of long-term business relationships between top companies and their subcontractors. Page 31

HATIBUDI, a private company operated by Malaysia's ruling United Malays National Organisation sold its entire 50 per cent stake in United Engineers. Page 20

EC compromise sets stage for economic union in early 1990s

By David Buchan, Philip Stephens and William Dawkins in Madrid

THE European Community seems set for a major advance towards economic and monetary union in the early 1990s, following a compromise agreement yesterday on moving to the first stage next year and on preparation for changes to the EC's founding Treaty of Rome.

Leaders of the 12 member states agreed that the first stage, involving closer policy co-ordination among finance ministers and central bank governors and full participation of all currencies in the European Monetary System, would start by July 1 next year.

But their most significant agreement, which came only after an Anglo-French wrangle over wording, was "to carry out the preparatory work for the organisation of an intergovernmental conference to lay down the subsequent stages" towards economic and monetary union (Emu).

The minute the Madrid summit ended, key participants fell to disputing the implications of their possibly historic agreement.

Mrs Margaret Thatcher, the British Prime Minister who went to the Spanish capital hoping to head off any institutional changes, said yesterday "there is nothing automatic about going beyond stage one" of the Delors report which maps out a three-stage path to monetary integration.

The report's later stages envisage the eventual creation of a European System of Central Banks (ESCB) and matching fiscal and budgetary co-ordination.

But, in an extraordinary admission of her relative helplessness in the face of an EC majority led by France and West Germany, she conceded that she could do nothing to stop a treaty-revising conference being called by simple majority.

"I have not the slightest shadow of a doubt that I will vote against; I have not the slightest shadow of a doubt that I will be in a minority," she said.

She said her task at Madrid had been to delay that moment, by securing agreement that such a conference "would be preceded by full and adequate preparation," and that it would not start before next July.

This had the effect of hardening up assurances, desired by others, notably Chancellor Helmut Kohl, against an ill-considered rush into changing Germany's constitutional monetary arrangements.

This was initially too cautious for France's President François Mitterrand, who tried vainly to win summit agreement that the Community should have treaty amendments – establishing the ESCB, among other things – in hand before its single market programme comes to its intended close by the end of 1992. The French leader said he wanted to see a conference convened in the second half of next year.

Mr Felipe Gonzalez, Spain's Prime Minister and the summit host, said he would not have believed a week ago that an agreement such as that reached yesterday could have had Mrs Thatcher's name on it.

Mr Jacques Delors, Commission president, said that only a few days ago he favoured immediate convocation of an intergovernmental conference, on a majority of, perhaps, nine states out of 12.

But "given what Mrs Thatcher has said and agreed to," he believed "the results on balance were positive."

According to the summit decision, over the next year the EC committee of central bank governors are to be given the right to take policy initiatives, while EC finance ministers are to start taking seriously their long ignored duty to co-ordinate economic policy.

After stage one, the line of advance is much less clear. Mrs Thatcher stressed the Delors report was "a basis, and not the only basis" for rethinking Europe's monetary future.

Binding EC-level decisions on member states' budget financing, and other elements outlined in later stages of the Delors report, "would be the biggest transfer of sovereignty we've ever had," she said of the UK. She doubted that those EC leaders which were as accountable as she was to their national parliaments could get approval for such a transfer of power.

The UK leader said monetary union – to which for the first time she has unequivocally subscribed – might have to be shorn of the matching fiscal and budgetary co-ordination by the Twelve envisaged by the Delors report.

But Mr Delors challenged her to find any other model that could get consensus in the Community. The 12 central bank governors and five outside experts who had made up his committee and unanimously signed the report ranged, Mr Delors said, from "neo-Keynesians to monetary ayatollahs." There was no other way, he said, though rules on running national economies could be less binding than the report suggests.

Thatcher runs charmingly into an ambush, Page 2; Editorial comment, Page 14

UK Prime Minister Margaret Thatcher confirming her refusal to endose the proposed European Social Charter. Report, Page 2

Supporters rush to claim historic success

By Our Foreign and Political Staff in Madrid

SUPPORTERS of European economic and monetary union did not hesitate for an instant yesterday before hailing the conclusions of the Madrid summit as an historic commitment.

Mrs Margaret Thatcher might promise tough battles ahead in which Britain would vigorously fight its corner against wholesale transfers of its national sovereignty over economic policy to a new system of European central banks.

Some smaller countries could voice their doubts about whether the proposed pace set by her opponents might be just a little too fast.

But for France, West Germany and Italy, the crucial point was that the Community's leaders had now expressed the political will to push ahead with a process leading to an eventual merging of the Twelve's monetary policies and the creation of a single European currency.

For President François Mitterrand of France the summit marked the beginning of a journey that, once started, would prove impossible to halt. That process would begin with an Inter-governmental conference – to be convened in the second half of next year – to amend the Community's Treaty of Rome along the lines suggested by the Delors Committee of central bankers.

Chancellor Helmut Kohl of West Germany, not a leader given to hyperbole, agreed that they had begun a process which would have dramatic implications for the Community's future. Mr Jacques Delors, the Commission President, talked of an "irreversible movement".

Outside the conference hall, officials from several countries played down some of the initial enthusiasm – no one should be expecting to swap their D-Marks or their francs for a new European currency before the year 2,000.

There was also private acknowledgement that the latter parts of three-stage transition proposed by the Delors report left as many questions open as anwered. Most were convinced, however, that just as the establishment of a target for a single European market by 1992 created its own momentum, so too would the Madrid declaration in the area of monetary union.

Even Mrs Thatcher seemed to accept implicitly that she could delay and amend many of the proposals but that she would not in the end be able to scupper it. She had after all signed a declaration stating the Community's "determination progessively to achieve economic and monetary union".

The UK Prime Minister also accepted that stage one of that process – involving tighter Community co-ordination of national monetary and fiscal policies as well as a strengthened European Monetary System – should start next year.

The European Commission will now be drafting new proposals to strengthen the role of the Community's committee of central bank governors and council of finance ministers in the co-ordination of those policies.

Continued on Page 16

Lower UK trade deficit gives boost to sterling and equities

By Peter Norman, in London

BETTER THAN expected British trade figures for May eased pressure for an early rise in interest rates and boosted the pound, equities and gilts yesterday.

The Department of Trade and Industry reported that the current account balance of payments deficit narrowed to a seasonally adjusted £1.32bn ($2.05bn) in May from £1.76bn in April.

The May figure was significantly below the £1.6bn consensus forecast of City of London analysts, and sharply lower than the £2bn tipped by some nervous traders on Monday.

The latest figures, which reflected record exports and stagnant imports last month, still implied that Britain's current account deficit was running last month at an annual rate of nearly £16bn. However, this was an improvement on the first four months of this year, which indicated an annual current account deficit of nearly £20bn.

The news was welcomed by the Government. Deputising for the Prime Minister at question time yesterday, Mr John Wakeham, told the House of Commons: "The signs that import growth has been slowing down in recent months suggest that the tightening of monetary policy may be now starting to influence recorded trade."

Some analysts were inclined to share this view. Mr Ian Harwood, an economist with Warburg Securities, said: "We have clearly passed the worst as far as the trade figures are concerned. However, it is not clear how fast the improvement will be. It could be slow."

Sucb cantion did not weigh heavily with financial markets. Equities reversed early modest losses to close at their highest level since the stock market crash of October 1987, with the FT-SE index rising 26.8 to 2,206.4.

Gilt-edged stocks bounded ahead by 1¾ points. Money market rates eased, with the benchmark three-month interbank rate back around the 14 per cent bank base-rate level.

By the end of trading sterling had gained 4 pfennigs against the D-Mark and 2 cents on the dollar compared with Monday's closing levels.

UK trade, Page 15; Lex, Page 16; Currencies, World stock markets, Section II

IRI board set to approve share swap with Paribas and Comit

By John Wyles in Rome

THE BOARD of IRI, Italy's main state holding company, is expected to approve today a share swap which will give Paribas, the French merchant bank, and Banca Commerciale Italiana (Comit) a 2 per cent stake in each other's business.

The operation is apparently seen by both parties as a strategic move in the growing wave of transnational banking alliances.

Following the failure of its bid for New York's Irving Bank last year, Comit has been rapidly reorganising its international strategy, and Paribas has been assiduously developing activities in Italy over the past 18 months.

The value of the shareholdings are not grossly dissimilar; Comit will pay about L80bn ($56.5m) for its stake in Paribas while the French bank will hand over about L120bn to IRI for its 2 per cent.

This will reduce the state's holding in Italy's second largest bank to 57.4 per cent and still leave scope for further privatisation within IRI's stated policy of maintaining a core 51 per cent in each of the three "banks of national interest" which it controls.

The share deal has followed swiftly on Paribas' arrival last November as a shareholder in the Banca Internazionale Lombarda, the merchant bank created by Comit and Italy's largest insurance company, Generali.

Paribas' original 40 per cent holding in Lombarda was reduced in April to 20 per cent when UBS of Switzerland and Italy's Mediobanca joined the shareholders' group, taking 20 and 5 per cent stakes respectively.

For Comit, the attraction of a stake in Paribas lies in the opportunities that could open up in French capital markets and retail banking through Paribas' subsidiary, Credit Du Nord.

Paribas is indirectly strengthening its links with Italy's largest state company, IRI, very soon after allowing Ferruzzi, Italy's second largest private sector group, to become one of its shareholders with a 1.3 per cent stake. Comit's deposits at the end of last year were L70,823bn and net profits L873.1bn, 25 per cent up on 1987.

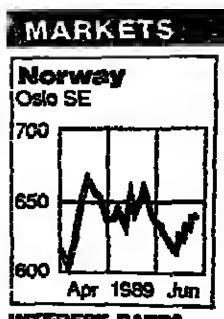
Springer in swap with Poligrafici

Alex Springer Verlag, the leading West German newspaper group, and Poligrafici Editoriale, the Italian regional publishing company, are to take 10 per cent equity stakes in each other. The move will be reinforced by cross-representation on supervisory boards. The co-operation agreement will centre on Italy, officials said, but joint projects were also planned elsewhere in Europe. Financial details of the transaction were not revealed. Page 17

MARKETS

Norway

Oslo SE



INTEREST RATES

US lunchtime

Federal Funds 9½% (same)

3-mth Treasury Bills: yield: 8.31% (8.36)

Long Bond: 108 13/32 (107 31/32)

yield: 8.08% (8.15)

London

3-month interbank: close 13 13/16% (14 7/32)

STERLING

New York close

$1.5680 (1.5445)

London:

$1.5655 (1.5450)

DM3.0625 (3.0225)

FFr10.3825 (10.2550)

SFr2.6375 (2.6025)

Y220.75 (217.50)

DOLLAR

New York close

DM1.9560 (1.9570)

FFr6.6335 (6.6410)

SFr1.6830 (1.6870)

Y141.60 (141.20)

London:

DM1.9560 (1.9570)

FFr6.6325 (6.6375)

SFr1.6840 (same)

Y141.10 (141.60)

GOLD

New York latest Comex August $379.8 (376.3)

STOCK INDICES

New York close

Dow Jones Ind. Av. 2,526.37 (+14.99)

S&P Comp 328.26 (+1.86)

London:

FT-SE 100 2,206.4 (+26.8)

World: 143.63 (Mon)

Tokyo

Nikkei Ave 33,469.21 (-156.61)

Frankfurt

Commerzbank 1,630.1 (-14.1)

OIL

Brent 15-day (Argus) $18.15 (+0.10) (July)

West Tex Crude $20.425 (+0.30) (August)

CONTENTS

Violence and instability plague the Dominican Republic

President Joaquin Balaguer, octogenarian leader of the Dominican Republic, appears to have run out of options to contain growing public disaffection with his handling of the economy Page 6

FT Correspondents report from the summit meeting of European Community heads of government which ended yesterday in Madrid

Britain refuses to budge on social policy

By David Buchan

BRITAIN'S Prime Minister, Mrs Margaret Thatcher, yesterday refused to join the 11 other EC leaders in endorsing an acceleration in the European Commission's social legislation programme.

She had come to Madrid ready to compromise on several issues, but not on her insistence that all social policy except a framework of worker health and safety laws should be made at national level.

At the summit, she told a news conference yesterday, she had "confirmed the refusal" earlier this month of Mr Norman Fowler, her Employment Minister, to agree not only to the Commission's proposed workers' rights charter, but also to speeding up the rate at which the Commission is churning out social legislation plans.

The charter, as presently drafted, would set overall norms for wages, work hours, working age, among other things.

However, her fellow EC leaders are unlikely to take no for an answer. President François Mitterrand plans to try to have the social charter approved during his EC presidency, at the Strasbourg summit late this autumn, and, as on the monetary union issue yesterday, he will be backed by Mr Helmut Kohl. The West German Chancellor yesterday served notice that he wants the workers rights charter and he wants it this year. "In creating the single market we cannot ignore the 80 per cent who are workers," he told a press conference.

Mr Jacques Delors, the Commission President, reacted in some pique at what he called Mrs Thatcher's "failure to pick up the olive branch I offered her". By this, he meant making a declaratory social charter quite separate from social legislation which the Commission had proposed, and would continue to propose, under standard EC legal provisions. In other words, if Mrs Thatcher would put her name to a charter, she need not fear any legislative consequences.

Privately, Mr Delors was irked that Mr Felipe Gonzalez had not pushed Mrs Thatcher on social as much as on monetary issues.

Yet, at the very moment she was giving way on money, Mrs Thatcher seemed more determined than ever to hold her line against Community encroachment into national social policy-making. "By imposing extra burdens (in the social field), the Community would be making it less competitive internationally," she complained.

The UK leader appeared to take comfort from her belief that privately many of her EC counterparts recognised that the Community had to play second fiddle to the nation state in social policy. "We might find that our view will eventually prevail," she said.

Thatcher runs charmingly into an ambush

By Philip Stephens, Political Editor

IT COULD hardly have been a coincidence that Mrs Margaret Thatcher chose a black top for her summer outfit as the Madrid summit drew to a close yesterday.

After all she had been tricked again by the perfidious Europeans. Worse still, the Foreign Office had done what it often seems best at – misjudged the mood of Britain's European partners.

So it was far from clear if the tensely gritted smile during the traditional "family" photocall reflected as much her mood towards her own Foreign Secretary, Sir Geoffrey Howe, as towards some of her fellow heads of state. It was the Foreign Office, of course, which had persuaded her that it was time at last for Britain to climb aboard the Eurobus to monetary union in order to keep the temperature in Madrid's Palacio de Congresos a little below the 100 degrees outside.

Not a word was to be uttered about Marxist conspiracies or socialist superstates. Even Jacques Delors, the unwitting author of Mrs Thatcher's infamous Bruges speech, was to be offered the odd, admittedly strangled, compliment.

But what the FO omitted to tell her was that the nasty François Mitterrand had persuaded the easily-led Helmut Kohl that it was time the Community abandoned the bus in favour of a flight on Concorde.

Looking across the table at eyes he once described at those of a Caligula, Mr Mitterrand seemed to have forgotten that he had once likened Mrs Thatcher's mouth to that of Marilyn Monroe.

The Iron Lady's charm offensive, as it was being dubbed by the British tabloid press, could never be enough to deflect a Frenchman in search of a place in the European history books.

From Mr Delors, who now sees heads of national governments as mere mortals compared to European presidents, the reward for her new conciliatory tone could hardly have been more unkind – Mrs Thatcher was, he said, now engaged in a political "striptease".

Mr Kohl's ambitions were a little more modest. After breakfast yesterday morning with the French President, he was apparently prepared to sign up to virtually anything – as long as nothing was actually done until after the West German elections early next year.

Long regarded as "unsound" in Downing Street, he seemed content to let Hans-Dietrich Genscher, his Foreign Minister, swap his role as junior coalition partner for that of puppet-master.

Mitterrand's habit of keeping everyone waiting became too imperious even for his allies

For Mr Genscher, a Euro-fanatic even by the standards of those eagerly snapping up the Ecu coins minted specially for the summit, it was the perfect opportunity to settle old scores. After all, last month Mrs Thatcher had simply refused to see him during his visit to London.

Sir Geoffrey, who only this week admitted that if Mrs Thatcher fell under the No 12 bus to Brussels he would – ever so reluctantly – seek the key to her current Downing Street residence, was not much in evidence.

After staying up late on Sunday to persuade the Prime Minister to say nice things about, of all things, the European Monetary System, he seemed content to spend his time dotting the "i's" and crossing the "t's" on a series of typically anodyne statements on EC foreign policy. Getting "words", "language" and finally "texts" rather than actually doing anything seemed the object.

Back in the real game, Mr Mitterrand did not have it entirely his own way. His manner, marked by a persistent habit of keeping everyone else waiting for him to arrive late, at times became too imperious even for his allies.

Mrs Thatcher could even claim the satisfaction of an hour or so when he, rather than she, looked isolated. And her approach at least brought a plaudit from Felipe Gonzalez, who emerged as one of the more gracious figures at the summit.

This week, though, was just the first round. In a year or two Mrs Thatcher will be sitting down at a conference she does not want to discuss a goal she does not want. On past evidence the charm may wear a bit thin.

Chancellor Kohl (second from right) draws laughter as he arrives late for the "team" photograph. In the front row with him are Mrs Thatcher and Mr Cavaco Silva. In the rear are Mr Genscher, Sir Geoffrey Howe and Mr Haughey

Shamir's territories poll plan 'welcomed'

By David Buchan and Andrew Gowers

THE SUMMIT gave a conditional welcome to the Israeli Government's plan for elections in the occupied West Bank and Gaza Strip, while the EC leaders reaffirmed their own desire to play a peacemaking role in the region.

In the first formal statement on the Middle East by EC leaders in nine years, they also said the Palestine Liberation Organisation should participate in any international peace conference held under United Nations auspices to resolve the Arab-Israel conflict.

This marked an advance on the position EC leaders adopted at the Venice summit in 1980, which called for the PLO to be "associated" with the peace process.

On the election plan put forward by Mr Yitzhak Shamir, the Israeli Prime Minister, the Twelve set out terms not far removed from those being discussed by some Palestinian leaders.

The leaders stressed that the elections must take place "in the framework of an overall, just and lasting settlement", must be held in East Jerusalem (as well as in the West Bank and Gaza), and should not prejudge a final negotiation "on the basis of land-for-peace".

The European heads of government were also careful to welcome American peace efforts in the region, in particular Washington's newly-opened dialogue with the PLO.

However, EC states showed yesterday that they continue to lay more emphasis on an international conference on the Middle East – and PLO representation at it – than Washington deems advisable at this stage.

In the last six months, three foreign ministers (from Spain, France and Greece) have been consulting both Israel and the PLO on a peace conference, but have made no headway in persuading Israel to reconsider its refusal to talk to the PLO.

"The European Council launches a solemn appeal to parties concerned to seize the opportunity to achieve peace," the EC statement said.

It "calls upon the Arab countries to establish normal relations of peace and cooperation with Israel, and asks that country in turn to recognise the right of the Palestinian people to exercise self-determination."

In other foreign policy pronouncements, the Twelve expressed the desire for "an intensification of relations between East and West in all fields".

But they regretted that serious human rights violations continue to take place in certain parts of Eastern Europe, with countries such as Romania and Bulgaria in mind.

Reuter adds from Jerusalem: The Israeli Foreign Ministry expressed disappointment with the Madrid statement, saying it had hoped for unqualified support.

"The EC would be able to contribute significantly to the advancement of the peace process by expressing full and unqualified support of the Israeli initiative," an official statement said.

"It appears that Europe has not yet abandoned its past and unbalanced formulationa which until now have failed to contribnte to the advancement of the peace process in the Middle East," it added.

An official said Israel was particularly unhappy that the statement expressed only "interest" in the initiative based on certain conditions.

Debt relief plan for middle-income states

By William Dawkins

A SPANISH plan for a European guarantee fund to back loans to indebted middle-income countries is to be examined by EC Finance Ministers.

Latin America, North Africa, the Far East and Eastern Europe would be covered by the system, says the communiqué, which agrees to "take note of the Spanish proposal."

Five member states, led by Britain, West Germany and the Netherlands, had voiced serious reservations when Spain first floated the plan at a ministerial meeting last week.

However, Mr Jacques Delors, European Commission president, yesterday called it the "most realistic and serious proposal so far to show that the EC is not turning a blind eye to the plight of middle-income countries."

It would be conditional on debtor countries reaching agreement with tha International Monetary Fund on economic programmes for the following three years, and on private banks accepting lending reductions recommended by the IMF and the European fund.

The plan's critics point out that existing international bodies like the IMF and World Bank are best equipped to provide this kind of assistance.

They also fear it would conflict with the debt reduction plan put forward in March by Mr Nicholas Brady, the US Treasury Secretary, involving the IMF, the World Bank and Japan.

Leaders also voiced general concern about the future of indebted countries. "Their situation was extremely worrying, especially in Latin America, where a solution to this problem was of particular importance for the consolidation and strengthening of democracy," said the communiqué.

Action on VAT and tax evasion

By William Dawkins

EC LEADERS gave a push yesterday to long-stalled efforts to reduce disparities in indirect tax rates between the Twelve and to fight tax evasion.

They called for broad agreement by the end of the year on plans to reduce national differences in VAT rates and joint action to curb evasion of savings tax before July 1990, the date when most exchange controls are due to be scrapped.

The summit communiqué voiced concern at the delay in finding "a solution of the problem of the taxation of savings and stressed the need to ensure that the liberalisation of capital movements did not facilitate tax evasion and avoidance."

It asked the EC bodies responsible to take action before capital liberalisation takes effect.

The European Commission earlier this year withdrew plans for a common EC withholding tax rate on savings deposits in the face of widespread opposition led by West Germany.

France had called for a common withholding tax rate a year earlier, as one way to prevent a rush of private savings into less heavily taxed countries following the ending of exchange controls.

Leaders also welcomed the Commission's recent attempts to unblock the impasse over plans to rednce national differences in VAT rates.

Their communiqué "emphasized the need to reach broad agreement on the broad lines of a solution in this area before the end of the year, in order to ensure that the internal market came into operation on schedule."

The original version of the VAT plan, a keystone of the internal market, envisaged a higher and lower tax band for normally traded and for sensitive goods. It attracted fierce opposition from Britain, as well as Ireland, Denmark and Luxembourg.

Brussels offered last month to replace that with minimum rates, with allowances for the continuation of zero rates for an as yet undefined list of sensitive goods.

The Twelve went on to welcome the fact that the new scheme had taken account of the nnmerous suggestions from individnal member states.

'Social aspects of single market important'

FOLLOWING are key extracts from the communique issued after yesterday's summit:

Monetary Union

1) The European Council restated its determination progressively to achieve economic and monetary union as provided for in the Single Act and recalled at the European Council meeting in Hanover. Economic and monetary union must be seen in the context of the completion of the internal market and in that of economic and social cohesion.

2) The European Council considers that the report by the committee chaired by Mr Jacques Delors which defines a process leading in stages to economic and monetary union fulfilled the mandate given in Hanover.

The European Council felt that its realisation would have to take account of the parallelism between economic and monetary aspects, respect the principle of subsidiarity and allow for the diversity of specific situations.

3) The European Council decided that the first stage of the realisation of economic and monetary union would begin on 1 July 1990.

4) The European Council asked the competent bodies (the EcoFin and General Affairs Councils, the Commission, the Committee of Central Bank Governors and the Monetary Committee):

a) to adopt the provisions necessary for the launch of the first stage on 1 July 1990.

b) to carry out the preparatory work for the organisation of an inter-governmental conference to lay down the subsequent stages; that conference would meet once the first stage had begun and would be preceded by full and adequate preparation.

Social Affairs

The European Council considered that in the course of the construction of the single European market social aspects should be given the same importance as economic aspects and should accordingly be developed in a balanced fashion.

The European Council reaffirmed its Hanover and Rhodes conclusions of the achievement of the Internal Market as the most efficient method of creating jobs and ensuring maximum well-being for all Community citizens. . .

The European Council stressed that making the most of human resources through training was a fundamental aspect of economic and social development; it noted the agreement reached on continuing vocational training.

The European Council noted that at the Council meeting on Social Affairs on June 12 the Commission had submitted a preliminary draft Community Charter on Fundamental Social Rights on which an initial debate had been held, leading to the draft conclusions set out in Annex I and accepted by 11 delegations.

The Council will continue its discussions with a view to adopting the measures necessary to achieve the social dimension of the Single Market, taking account of fundamental social rights.

For this purpose the role to be played by community standards, national legislation and contractual relations must be clearly established.

EC leaders agree to halt military trade with China

By Peter Bruce

EUROPEAN Commnnity leaders agreed in Madrid yesterday to stop all military trade and co-operation with China as part of a package of sanctions to protest at Peking's bloody repreesion of democracy demonstrations earlier this month.

The 12 heads of government said they "strongly condemn the brutal repression taking place in China" and called for the examination of any new Chineee requests for trade credit guarantees to be postponed.

Observers said the package of measures against China that came out of the summit was the strongest Western response so far to the new wave of official brutality in China.

In a communiqué issued at the end of the summit, the 12 also promised to:

- Raise human righte violations in "appropriate" international fora and to push for the admittance of independent international observers at Chinese trials and into Chinese prisons.
- Suspend bilateral ministerial and high-level contacts.
- Postpone Community and bilateral co-operation projects with China.

Brutal repression by Peking condemned

FOLLOWING IS the full text of the declaration on China issued by the 12 leaders of the European Community at the end of their two-day summit:

The European Council, recalling the Declaration of the Twelve of June 6, strongly condemns the brutal repression taking place in China. It expresses its dismay at the pursuit of executions in spite of all the appeals of the international community.

It solemnly requests the Chinese anthorities to stop the executions and to put an end to the repraseive actions against those who legitimately claim their democratic rights.

The Enropaan Council requests the Chinese authorities to respect human rights and to take into account the hopes for freedom and democracy deeply felt by the population.

It underlines that this is an essential element for the pursuit of the policy of reforms and openness that has been supported by the European Community and its member states.

The Twelve are aware that the recent events have caused great anxiety in Hong Kong.

In the prasent circumstances, the European Council thinks it necessary to adopt the following measures:

1) Raising of the issue of human rights in China in the appropriate international fora; asking for the admittance of independent observers to attend the trials and to visit the prisons.

2) Interruption by the member states of the community of military cooperation and an embargo on trade in arms with China.

3) Suspension of bilateral ministerial and high-level contacts.

4) Postponement by the community and its member states of new co-operation projects.

5) Reduction of programmes of culturaql, scientific and technical co-operation to only those activities that might maintain a meaning in the present circumstances.

6) Prolongation by the member states of visas to the Chinese students who wish it.

Taking into account the climate of uncertainty created in the economic field by the present policy of the Chinese authorities, tha European Council advocates tha postponement of the examination of new reqnests for credit insurance and the postponement of tha examination of new credits of the World Bank.

Never write off Charlie, they say, but this time he may have blown it

The failure of Irish Premier Haughey's election gamble has left him fighting for his political life, writes **Kieran Cooke** in Dublin

TWO months ago there were few political cloude to trouble tbe outlook of Mr Charles Haughey, Ireland's Prime Minister. His popularity and that of bis Fianna Fail party, in Government for the past two years, had never been higher.

But politics, like Ireland's weather, is unpredictable. Mr Haughey is now fighting for his political life.

On Thursday, ha will try to win a vote in the Dail, the Irish Parliament, for his continued leadership of the country. The outcome is by no means certain.

In an election earlier this montb Fianna Fail lost votes in key margioal constituencies and now has only 77 of the 166 Dail deputies. If Mr Haughey fails to be nominated as Prime Minister, he might be forced to resign. At tbe very least it seems certain Fianna Fail will be forced into some alliance or coalition with other parties.

Mr Haughey bas few to blame but himself for the present situation. At tbe eod of April his minority administration was defeated on a vote to give more money to haemophilics infected witb the AIDS virus.

Mr Haughey had an attack of politician'e pique. He accused opposition parties of "ganging up" to defeat his Government on vital fiscal matters.

"An election is necessary because the Government has to be in a secure position to grapple witb the country's economic and financial problems," he said. He wanted a Dail majority and felt the time was right.

But Mr Haughey, on the rollercoaster of political life for more than 30 years, misread the mood of the country. He ignored advice against calling an election from Fianna Fail stalwarts in inner-city and rural areas, relying instead on the whisperings of an inner circle of advisers and encouraged by the fighting talk of some of his more gung-ho ministers.

Many feel tbe restraining counsel of Mr Brian Lenihan, the Foreign Minister who was undergoing surgery in the US, was badly missed.

Mr Haughey fought a lacklustre campaign. He came out of two years isolation from the media to give a series of news cooferences extolling his Govarnment's financial achievements, in particular the way the crisis of the national debt had been tackled.

Political conjuror Haughey: may have run out of tricks

"We saved the country from bankruptcy," said Mr Haughey.

He talked about the return of economic confidence.

The electorate was not impressed. Ireland has little local government. Voters used the election to direct anger about local issues at national politicians.

Mr Haughey was forced to admit he had not realised the full extent of anger and frustration caused by his Governmente health service cuts. He confessed he had not fully understood the antagonism caused hy a fishing rod licence imposed by his Government.

A dispute over low levels of pay in Ireland'a armed services reflected badly on Mr Haughey. Accusations of "strokes" and favouritism which had surrounded past Haughey administrations resurfaced. Attention was also focused on Ireland's 18 per cant unemployment and evidence of growing levels of poverty.

Though Fianna Fail lost only three seats and its share of the total vote was only slightly reduced, both the party and Mr Haughey suffered a serious setback. Five times Mr Haughey has tried to gain a majority as Fianna Fail leader. Five times he has failed.

The Prime Minister is now being forced to troll around long time political opponents in an effort to form a Government. For the past two years the main Fine Gael opposition party, traditionally perceived as being to the right of Fianna Fail, and the smaller Progressive Democrats Party, had supported the broad thrust of Government policies. They said that by calling an election Mr Haughey had wrecked the first consensus in Irish politics in years.

Mr Alan Dukes, Fine Gael's new leader, has already had proposals of a Fianna Fail/Fine Gael coalition, with rotating prime ministers and equal cabinet reresentation, dismissed as "totally inacceptable" by Mr Haughey.

The Progressive Democrats, composed mainly of disenchanted former Fianna Fail members, had a disastrous election and now only has six Dail seats. Some of its members have made clear thair reluctantance to join in an administration headed by Mr Haughey.

For Fianna Fail ("The Warriors of Destiny") it has been a traumatic time. In power for a total of more than 40 years since it contested its first election in 1932, the party has always seen itself as a nationwide movement and the natural party of power in Ireland.

Conservative with a small "c" it has been all things to all people. Bnt no more. Vital areas of traditional support, both in working class and in some rural areas, have gone.

The left has been the main beneficiary of a shift in the political ground. The Labour Party and the more left-wing Workers Party both made substantial gains in the election and increased their Dail seats from 15 to 22.

Whila the revolntion is a long way off, the old divisions, based on events going back to the country's 1920s civil war, are breaking down. Many argue that the policies of both main parties are similar and a coalition is the only sensible way to deal with Ireland's problems, in particular the national debt which, despite public service cuts, still stands at more than I£24bn (£21bn) or I£28,000 for every household in the country.

It has also been argued that coalition Government is the natural outcome of Ireland's proportional representation election system. The Labour Party and the Workers Party could become the main opposition in a new Government. A more European style left/right political balance could emerge.

Mr Haughay has let it be known that Fianna Fail is not in the coalition business. He might be ewimming against the political tide. "Never write off Charlie" has been the a maxim of the informed and wise for many years.

But Mr Haughey has stumbled badly. People are now waiting to see if Ireland's premier political conjuror can once again produce a magic touch.

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Milosevic frees genie of Serbian history

By Judy Dempsey in Pristina

MONTHS OF careful preparation by Mr Slobodan Milosevic, the Serbian leader, will culminate today in what he hopes will be a massive outpouring of nationalism.

He and his fellow Serbian nationalists are expecting hundreds of thousands of people to descend on the Field of Kosovo in southern Yugoslavia, where 600 years ago today, the Serbian Empire was wiped out by the Turkish army.

It was a battle which, according to one historian, "has no equal in the collective memory of the Serbs." Its anniversary has been used by Mr Milosevic to reassert Serbian power throughout Yugoslavia – creating deep divisions among the country's six republics.

Kosovo, a poor, under-developed province, has been inhabited by ethnic Albanians for centuries – indeed their presence predates the dispersal of the Serbs in 1389.

Over the years, the mostly Moslem Albanians established their own language and way of life and the once-dominant Serbian culture was diluted to a shadow of its former grandeur.

The Serbs had a brief moment of revenge in 1913, when, during one of the Balkan wars, they attempted to reimpose control over the region.

Efforts to regain a presence in a region which is regarded as the cradle of Serbian culture, persisted through the inter-war period, when large tracts of land were confiscated from ethnic Albanians and distributed to Serb families who were persuaded to return to their homeland.

This was conveniently omitted from a recently published official Serbian history on Kosovo.

After the Second World War, the Serbs continued to aspire to gain control over Kosovo. Oppressive measures deployed in the region by Mr Aleksander Rankovic, Marshal Tito's right-hand man, who was finally toppled in 1966, built up deep animosities between ethnic Albanians and the Serbs.

Two years later, these latent nationalist conflicts burst out onto the streets of Pristina, Kosovo's capital. Tito responded by granting the ethnic Albanian majority language schools; books and newspapers.

And in the 1974 constitution, Tito carved two autonomous provinces out of the republic of Serbia – Kosovo, and Vojvodina in the north: one of his aims was to pacify the ethnic Albanians. His other long-term goal was to contain Serbian influence in the Federation.

Elected party leader of Serbia in 1987, Mr Milosevic was determined to undo the perceived injustice of the 1974 Constitution.

Backed by the Serbs, he tapped their deep nationalist feelings. Last year, month after month, the Serbian media, a virtual mouthpiece for Mr Milosevic, accused the 1.8m-strong ethnic Albanian majority in Kosovo of intimidating the 200,000 Serbs into quitting the province altogether.

As a means of stemming this exodus and redressing an historical wrong, Mr Milosevic campaigned to bring Kosovo back into the fold of Serbia. Having achieved this, the other Yugoslav republics now fear the consequences of an enlarged Serbia.

Their anxieties are based on the methods Mr Milosevic has deployed.

Ethnic Albanians who resisted the changes in the Constitution, have been sacked from their jobs, purged from the local Communist party or have been imprisoned. Many journalists have also been expelled from the party. Rijlinda, the ethnic Albanian party daily, dutifully echoes the views of Serbia.

The police presence in Kosovo is high. The local party, led by Mr Rahman Morina, can boast little confidence among the ethnic Albanian community.

Disagreement over Kosovo has shattered the fragile unity of the Yugoslav federation.

The liberal northern Republic of Slovenia has repeatedly criticised the use of force in the southern province, especially in March when 22 Albanians were killed in riots.

Mr Milosevic has dismissed Slovenian charges as interference: but the other republics see Kosovo not as a Serbian problem, but a Yugoslav one.

They see the rise of nationalism as a failure of a repressive political system.

Slovene and Croat party officials argue that any solution to this growing nationalism must be sought not on the streets but through independent political institutions. Ethnic Albanian intellectuals agree.

Despite accusations by Serbia that they wish to join with neighbouring Albania, the Albanians continue to insist that the unity of Yugoslavia can only be maintained through liberalising the political system.

Summer heat brings Soviet discontent to the boil

Winds of ethnic strife are strengthening across Central Asia, writes **Christian Tyler** from Turkmenia

A HOT wind of ethnic strife is blowing across Soviet central Asia, spreading alarm and bewilderment among all nationalities – including the white settlers from European Russia.

The underlying causes of the pogrom in Uzbekistan of Meskhetian Turks earlier this month, which left about 100 dead and thousands homeless, are still disputed. Certainly no one pretends that the first official explanation of the worst racial clash in Soviet history – hooliganism triggered by an argument about the price of strawberries – will do.

But the raw materials of the Uzbek conflagration are to be found right across the Soviet Union's Asian empire. There have been disturbances in Kazakhstan; and in Uzbekistan's other neighbour, Turkmenia, officials were last week re-assessing the meaning of an incident in their own capital city on May Day.

In Turkmenia it was ice-cream, not strawberries, that was held to blame. The accepted version is that, as the temperature soared towards its summer daytime mark of well over 100 deg F (40 deg C), state stores ran out of ice-cream and the co-operatives seized the opportunity to sell their own supplies at three or four times the usual 20 kopeks a scoop.

According to an eyewitness, the youths who smashed the windows of the co-operative stores in Ashkhabad were only teenage hooligans, possibly intoxicated by alcohol or drugs. But others observed that among those who run the new, semi-private co-operatives are Armenians from the Caucasus, regarded by the Turkmen majority as profiteers. There were rumours of banners carrying nationalist and religious slogans.

Racial hatred and religious fanaticism are simple and convenient explanations for such incidents – in Moscow as well as in the West. But in Turkmenia, at least, they are probably wrong explanations. The catalyst for outbursts of "racial" strife in Central Asia is almost certainly economic.

In any country "outsiders", especially successful ones, are customary targets when rising economic expectations are dashed. Meskhetian refugees say they had always lived in peace with their Uzbek hosts. If so, it could be hypothesised that the Meskhetians were a vicarious target, standing in for the rulers whose system is accused of failing to deliver – the Russians themselves.

In Ashkhabad last week, well-educated Turkmens were insisting there was no tension between the races, nor between the Turkmen majority and the Russians. The daily life of the city seemed to bear them out. But a leading technocrat said he could not dismiss the possibility of racial unrest. The ice-cream riot, he said, probably concealed something deeper and more difficult to analyse: a combination of urbanisation, overcrowding, unemployment and inflation.

Since their conquest by the Tsar's army 100 years ago, the Turkmens have been seen by Western experts on the region as largely passive, even willing, beneficiaries of Russian civilisation. Those who refused to be herded into collective farms found ref

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Demonstrations have been reported from new centres in the Soviet republic of Kazakhstan, with more protests at food shortages and high prices charged by immigrant shopkeepers, writes Quentin Peel in Moscow.

A mass demonstration is said to have occurred two days ago at the Communist Party offices in Shevchenko, near Novy Uzen where five people have died in unrest. Protesters sought expulsion of "Caucasian nationals", better food supplies and the closure of co-operatives. Another demonstration occurred in Kulsary, further north.

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uge over the border in Iran and Afghanistan, where well over 1m Turkmens still live today.

With one of the highest birthrates in the Soviet Union, the Turkmens now comprise about 70 per cent of this desert republic's population of 3.5m. They are becoming the majority even in the Russified capital, entirely rebuilt after an earthquake in 1948.

Yet despite this natural majority and despite the new freedom of speech encouraged by Mr Mikhail Gorbachev, no unofficial leaders nor lists of nationalist demands have emerged. Nevertheless, the Russians live in constant expectation of such demands and are showing greater circumspection than ever as they lose their demographic grip.

Although bordering Iran, Turkmenia seems unlikely to catch the infection of Islamic fundamentalism. Turkmens are Sunni Mosleme, and regarded as somewhat freewheeling at that. The chief Imam of Ashkhabad, Hasratkuli Khanov, denied that there was any anti-Soviet religious unrest.

Interviewed in the house that serves as the city's only mosque (a real mosque is under construction nearby), he said: "We have no such elements. I have heard of no religious strife. We keep to the pure Koran and street demonstrations are prohibited by the Koran."

But the economic pressures may be building faster than the ability of the republic's government to deal with them.

The true unemployment rate is known only to the Communist party. It is said to be high, although not yet serious enough to prompt migration. On the other hand, cost of living increases – partly due to the freeing of local farm prices – are plain enough to all, and especially to the citydwellers.

For most Turkmenians price rises are the only sign so far of *perestroika*. Despite the arrival of a new Communist party secretary and the removal of corrupt or incompetent leaders, the process of reform has hardly touched this outpost of empire yet.

Political leaders say they look forward to receiving an economic price for the republic's main export commodities, cotton, oil and gas. But the shopping list they have presented to Moscow looks typically old fashioned: salary increases for working in the heat, more infrastructure and housing and better television reception.

Public opinion is said to be less than impressed with the performance of the republic's government and Turkmenia's delegates to the recent Congress of Deputies in Moscow were described by a well-placed Russian journalist as the tamest and most disciplined of all.

On the surface, the achievements of the Russian colonists of Turkmenia have been impressive indeed. The cultivable area has been vastly expanded by irrigation from the Kara-Kum canal, the world's longest, and built largely with convict labour.

But the republic's lifeline now turns out to be part of a regional ecological disaster to rival the nuclear fire at Chernobyl. The cost in terms of death, disease and crop destruction of the poisonous clouds blown down from the shores of the vanishing Aral Sea has yet to be fully quantified – and so has the political fallout.

The lesson of Turkmenia is that in the hot south of the Soviet Union racial and religious tensions are easily exaggerated, while economic grievances are too easily underestimated. Perhaps most worrying of all is that so few people in authority there seem to be asking themselves the questions.

Bonn told of poison gas suspicions

By David Marsh in Bonn

THE US government has told West Germany of suspicions that a Düsseldorf-based company has helped arrange shipments of chemicals to Iran which could be used for making poison gas, West German officials said yesterday.

Mr James Baker, the US Secretary of State, passed on information over the alleged transaction to Mr Hans-Dietrich Genscher, the Foreign Minister, during the latter's visit to Washington last week.

Officials say Bonn has asked Mr Kharim Ali Sobhani, an Iranian diplomat connected with the affair, to leave the country. However, Tehran says the Iranian official left Bonn "some time ago" to return home.

The Düsseldorf company - which Bonn yesterday refused to name - is said to have been involved as an intermediary in organising supplies of chemical feedstocks to Iran from a non-German source, possibly India. West German agencies are investigating the company to determine the extent of its involvement.

The latest US move comes in the wake of well-publicised US government suspicions that West Germany helped both Libya and Iraq gain access to poison gas snpplies.

Polish price rises to be delayed

By Christopher Bobinski in Warsaw

THE POLITBURO of Poland's Communist Party yesterday directed the government to "rein in" price rises.

Before the Politburo meeting, the Warsaw government had already put off politically risky decisions, which were to have been taken this week, about food price rises.

The Politburo directive was disclosed by Mr Wladyslaw Baka, the party secretary reponsible for the economy, in a television interview. "We have instructed the Government to rein in price rises until a prices policy is put together by the new government," he said.

Mr Baka is favoured by the opposition Solidarity movement for the post of Prime Minister and argued last year for a freeze on prices and wages to control inflation.

Since last autumn when Mr Mitczyslaw Rakowski became Prime Minister economic decision-making has been solely in the hands of the Government. The Politburo meeting gave the initiative to Mr Baka.

Some members of the Government, inclnding Mr Ireneusz Sekula, the Deputy Premier in charge of the economy, have been arguing that higher prices should come in at the beginning of next month, in view of a mounting budget deficit and diminishing supplies in the shops.

Debate over price rises, which risk unleashing industrial unrest, comes after Solidarity's victory in elections this month, amid much uncertainty as to the composition of a new government, as well as doubts as to whether General Wojciech Jaruzelski, the party leader, will command a sufficient majority in Parliament to be elected President.

The OPZZ official unions have called for a price freeze until a new government is installed.

● Mr Algirdas Brazauskas, the Lithuanian Communist Party leader, on a three-day visit to Poland has said that re-transmission of Polish television for Poles living in Lithuania was a matter "for the future."

Re-transmission of Polish television programmes is one demand being put forward by representatives of the 300,000-strong Polish minority in Lithuania which is fuelling tension between them and the Lithuanian Sajudis reform movement. The latter is seen by Poles as doing too little to respect their cultural autonomy.

Lithuania is also refusing to recognise officially a Polish consul already resident in Vilnius, the Lithuanian capital, until Poland accredits a Lithuanian in Warsaw.

Papandreou fails in bid to form coalition

Efforts by Mr Andreas Papandreou, Greece's caretaker Prime Minister, to form a coalition collapsed yesterday after a rebuff from the Communist-led Alliance, agencies report.

Doctors said the health of the Premier – close to death at the weekend – was "continually improving". But Mr Charilaos Florakis, tha Alliance leader, said after hearing proposals from Mr Papandreou's Socialists that he still preferred a national unity government, rather than a Socialist-Communist coalition, as a solution to the political crisis that has gripped Greece since alections on June 18.

An explosion on this Shanghai-bound express on Monday left 24 dead. Chinese television said the blast was "man-made" but it was not clear if it was the work of dissidents.

China calls meeting of key Congress committee

By Peter Ellingsen in Peking

THE CHINESE authorities have decided to convene a showpiece gathering tomorrow of the standing committee of the National People's Congress, the country's parliament.

Unlike the full session of the Congress held earlier this year, when some delegates openly criticised the Government, this week's meeting will allow no independent analysis. The official New China News Agency said that the agenda would be "guided by the principles adopted by the party's central committee."

Like the nation, the schedule of the Congress has altered. The standing committee will be meeting, therefore, not to debate the democratic reforms placed on its agenda during the heady days of May, when hundreds of thousands of people choked Peking's streets to pursue political change, but to rubber stamp the hardline views of Deng Xiaoping and the Communist Party's central committee.

As the official media described it, instead of taking part in debate, delegates will "study" and "listen" to the views of the elderly rulers who followed their crackdown of street protest in the main cities with a widespread purge.

The news agency said, as if such confirmation were necessary, that a plan by the Congress to discuss a draft law on greater press freedom had been shelved and that further measures "must be adopted" to screen companies.

"The drafting of a press law must be further enhanced by drawing on the experience and lessons of the press's guiding role in quelling the recent turmoil and counter-revolutionary rebellion," the agency said.

No mention is made of the proposed debate on democratic reform, but it's clear that, along with an end to qualified freedom of the press, the leadership has moved to end any real political discussion.

Despite decisions by the World Bank and Japan to freeze new loans, Peking is continuing with the purge, liberal party chief Zhao Ziyang being its most prominent victim. Some 2,400 people are believed to be now under arrest for their part in the pro-democracy movement.

Tough at the top in South Korea

Maggie Ford on the social and political problems of all that success

A GROWTH rate of 7.5 per cent and a current account surplus of $8bn would be cause in any country to bring out the champagne and promote the finance minister – although 7 per cent inflation would take some of the fizz out of the fun.

Yet many South Koreans are unhappy with the way this success is making itself felt in their daily lives and at the same time believe their country is facing economic crisis.

So much so that last week the Government was forced to introduce a package of measures to deal with the problem.

The gloom reflects a failure of public perception to catch up with reality. For South Korea, like many countries in Asia, is undergoing a process of transition.

For each of the past three years South Korea has experienced growth of more than 12 per cent, the highest in the world. This was based on exports increasing at rates of as much as 40 per cent a year leading to current account surpluses which last year reached $14bn. Low wages and low inflation were enforced by an authoritarian government which repressed trade unions and kept the lid on consumption with high taxes.

The results of this success, accompanied by the move towards democracy in 1987 have been exceptional pressure for trade liberalisation, especially from the US, an outbreak of labour disputes followed by high pay rises, and a flood of liquidity into the economy. This has pushed up speculative financial activity especially in the stock market and in real estate.

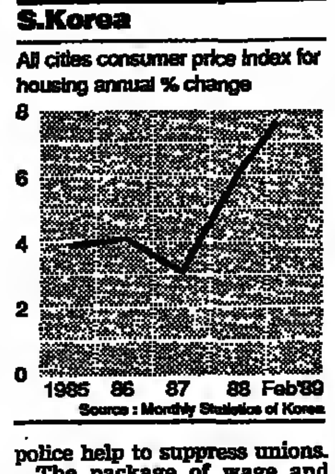
Lately the Government's policy has been aimed at producing a more balanced economy in which domestic demand took from exports a share of responsibility for growth. Higher wages have placed purchasing power in the hands of more people.

At the same time the appreciation of the won has put pressure on companies to move upmarket in the case of high technology industry or offshore in the case of other products.

Most analysts have regarded this policy as being sensible and responsible and Seoul escaped being named by the US as an unfair trader.

However, the Government appears not to have bargained for the wave of speculation and conspicuous consumption which has swept the country this year. Big businesses delayed investment in new plant, instead playing the stock market or buying land.

Apartment prices have rocketed (a small apartment in Seoul now costs nearly $¼m), creating a backlash among the middle class and outrage from workers who have not been able to find a place to rent, much less buy. In turn the grievances have fed into pay bargaining, pushing wage rises above 20 per cent and prompting business leaders to demand police help to suppress unions.



The package of wage and price controls announced last week is intended to tackle these problems. Pay deals are to be limited to single figures and an independent national committee, including representatives of unions, management, politicians and economists, is to be set up to mediate in pay disputes.

Charges for utilities and transport and other public-sector costs are to be curbed, and the target for increase in the money supply is to be set below the current 18 per cent.

Opposition leaders maintain that the measures are unlikely to be adequate. Restricting wage rises to single figures is likely to fuel further charges of unfairness, they say. And no broad welfare policy has been announced to deal with inequalities in housing, education and medical expenses which are also the subject of complaint.

Moreover, they say, speculators cannot be dealt with unless they can be taxed. At present, transactions can be made in false names and South Korea has no capital gains tax or tax on unearned income.

The measures offer some help to big and small industry, especially investment incentives, and the tight money supply policy is likely to restrict stock market speculation for the time being. But that in itself conflicts with the Government's plans for orderly growth of the market before it opens to foreign investors in 1992.

In some ways the Government has itself to blame for the public perception that the economy is in trouble. For months it has been issuing figures which give the false impression that South Korea is suffering a trade deficit.

Newspaper articles, perhaps designed to reduce public support for trade unions, have often exaggerated the seriousness of labour disputes. Earlier in the year, the public was given to believe that trade concessions to the US could cause the breakdown of important industries.

The result is a crisis atmosphere. In fact, South Korea appears to be undergoing a successful transition in its macro-economy and a belated realisation that its internal fiscal arrangements are in dire need of modernisation as it becomes a developed country.

DAEWOO SHIPBUILDING WORKERS BACK PAY ACCORD

STRIKING workers at South Korea's second largest shipbuilder have accepted a pay package and are expected to return to work soon, company officials said yesterday, Reuter reports from Seoul.

A spokesman at Daewoo Shipbuilding and Heavy Machinery Company said 58 per cent of 8,000 union members supported the pay accord in a ballot. "We expect workers to report to work tomorrow. But there is a possibility that radical workers will obstruct normal operations".

Labour disputes partially disrupted the hugely-indebted Daewoo yard in the southern island of Koje for more than three weeks before the workers went on a full strike on Friday. The dispute has cost the yard £41m in lost sales, the spokesman said.

Last week, trade union negotiators accepted an offer of a lump sum in wages and bonuses next January to compensate for a wage freeze this year. Militant union leaders rejected the deal and called the full strike. On Monday, in the face of a management threat to close the yard permanently if the strike continued, they decided to put the pay deal to a vote of all members.

The Government, which earlier this year promised an aid package involving loans of up to £388m for the ailing yard, has said it would use a force of 10,000 combat police to break the strike.

The Daewoo shipyard is saddled with a debt of £1.16bn, but, thanks to a recent upturn in world demand for ships, it also has about £550m worth of orders on the books. Government officials have warned that a collapse of the yard would severely hit the regional economy.

Outlook for Nigeria improves says report

By Michael Holman

NIGERIA'S military government will maintain both its economic reform programme and fulfil its commitment to a return to civilian rule by 1992, predicts a report on the country's prospects.

The study by the Economist Intelligence Unit, the London-based research organisation, forecasts that Nigeria's economy will "grow modestly in real terms, with momentum picking up in 1992-3", when growth is expected reach 5.1 per cent.

The report presents what it regards as less likely alternatives, which include the danger of a junior officers' coup. But it argues the popularity and astuteness of President Ibrahim Babangida tips the balance in favour of a successful transition, notwithstanding the riots that took place in May.

Production of oil, Nigeria's main foreign exchange earner, is projected to grow from 1.35m to 1.45m barrels per day in 1990 to 1.6m bpd in 1993. By the end of the century gas is expected to rival oil as an export.

Differences will continue between the Government and the International Monetary Fund over the value of the Naira. The report anticipates a fall in the average exchange rate of 22 per cent in 1992, to N13.8 to the dollar.

Nigeria to 1993: Will Liberalisation Work?. The Economist Intelligence Unit, 40 Duke Street, London W1A 4DW. Tel: 01 493 6711. Europe £125, North America $250.

● The Nigerian Government announced that six universities closed after student-led riots in May would stay shut until March 31, 1990, Reuter reports from Lagos.

Another two would stay closed until September 30 this year, Mr Jibril Aminu, Education Minister, said.

Plan to make Khomeini's son Majlis speaker

By Kamran Fazel in Tehran

EFFORTS were under way yesterday to secure Ahmad Khomeini, the only son of Iran's late spiritual leader, the post of speaker of parliament (Majlis) in another sign of the Iranian leadership's desire to project an impression of unity following Ayatollah Khomeini's death on June 3.

Tehran Radio said 205 deputies of the 270-seat Majlis asked Ahmad Khomeini "to strengthen and guide this major legislative pillar in the country's decision-making." The English-language Tehran Times said Mr Ali Akbar Hashemi Rafsanjani, the current speaker, was among Majlis deputies who had urged Ahmad Khomeini to become speaker after his own departure. Mr Rafsanjani is widely expected to be elected president on July 28.

The call for Ahmad Khomeini, 42, to join parliament could avert a confrontation over the presidency with Mr Rafsanjani. Ahmad was his father's chief secretary, but has held no government position.

His sister, Ms Zahra Mostafavi, told the Washington Post after their father's death that Ahmad had wanted to become president since 1981, but the Ayatollah forbade him to seek office in his lifetime.

Former IMF chief urges greater say for members

By Simon Holberton, Economics Staff

THE GROUP OF FIVE leading industrialised countries impose their will on the other members of the International Monetary Fund and there is a need for non-G5 countries to organise themselves more effectively, a former IMF managing director said yesterday.

Dr Johannes Witteveen endorsed in London yesterday a plan* developed by Mr Stephen Marris, an international economist, to give a greater say to the 150-odd countries which are currently excluded from G5's deliberations on international economic policy.

Mr Marris calls for agreement among non-G5 countries to build an organisation of no more than 10 constituencies to lobby the G5 at summits.

It is proposed that a group of influential non-G5 countries take the initiative and form an informal group. This group could include three European countries, three Asian, two Western Hemisphere, one African and one Middle-Eastern.

Dr Witteveen said Mr Marris's plan was a way of reinjecting co-operation and consensus-building into international decision-making on world economic issues.

**World Economic Summits, World Institute for Development Economics Research, Annankatu 42C, 00100 Helsinki, Finland.*

Delhi closed down by Punjab protest

By K K Sharma in New Delhi

AN estimated 80 per cent of shops and businesses were closed in Delhi yesterday in response to a general strike call by the Bharatiya Janata Party (Indian People's Party) in protest against the Indian Government's failure to check terrorism in the north-western state of Punjab.

The BJP is closely allied with the Rashtriya Swayamsewak Sangh (RSS), the militant Hindu nationalist organisation whose members were attacked with bombs and automatic weapons in Moga, Punjab, on Sunday morning.

Twenty five RSS workers were killed and another 22 injured in the attack by Sikh terrorists thought to be making yet another attempt to provoke a Hindu backlash.

But as with earlier massacres in Punjab, no violent Hindu backlash was forthcoming. However, growing indignation among members of India's majority community has been evident.

A near total bandh (general strike) was organised in Punjab and the main towns of its neighbouring states on Monday to protest against the killings and the Government's failure to check them.

This was followed by the bandh in Delhi yesterday, which enabled the BJP and the RSS to show that they command a considerable following in the Indian capital.

As in Punjab on Monday, yesterday's bandh went off without communal incidents in Delhi where Sikhs are in a minority and where many of the majority Hindus have their origins in Punjab.

Speakers at rallies organised by the BJP made it clear that the protest was not aimed at the Sikhs but was being called to underscore the Government's failure to check violence in Punjab.

If such violence continues in the state, terrorism could become a major issue in the campaign for the coming general election. Mr Rajiv Gandhi's ruling Congress-I party is widely thought to have an edge over the combined opposition parties because of the latter's inability to focus on any major issue against the Government.

In speeches made by BJP leaders, it was evident that they will make terrorism in Punjab one of the main issues in the campaign. Punjab has been under President's Rule – direct government by New Delhi – for just over two years. Recently, government spokesman have been claiming that terrorists are on the run in Punjab.

This claim was belied in Sunday's attack when it became clear that the terrorists can still strike at will. About a fortnight ago, Sikh terrorists struck in the heart of New Delhi when eight people were killed in bomb explosions.

Kibbutz industries raise sales 8% in spite of debt burden

By Hugh Carnegy in Jerusalem

INDUSTRIES run by Israel's debt-ridden kibbutz co-operatives managed to increase sales by 8 per cent last year, in spite of the huge loan crisis facing the movement.

Exports rose by 18.7 per cent and accounted for one third of the Shl 3bn (£1bn) sales, according to figures published by the Kibbutzim Industries Association. But a 36 per cent slump in investment signalled the profound difficulties stemming from the debt burden which the 400 kibbutz industrial enterprises have to overcome.

The association, which estimates an average profitability of about 2 per cent of sales, said the outlook this year was one of stagnation.

The co-operatives account for nearly one tenth of the country's industrial output, and this will be crucial to their recovery – industrial output has long outstripped the traditional kibbutz activity of agriculture.

The movement owes Shl 6.7bn. Under a government-sponsored rescue package due to be finalised soon, Shl 1.6bn will be written off by the state and the banks. A further Shl 3.2bn will be rescheduled over 25 years, with a lengthy grace period.

Conditions attached to the rescue will end the financially disastrous practice of kibbutzim guaranteeing each other's loans. It will also stress that in future kibbutz enterprises will have to stand or fall like any other business.

This implies a profound restructuring, which will cut across the traditional kibbutz ideology. This ran the businesses as collectives, with rotating managers, fixed labour commitments and no outside equity capital.

The 400 kibbutz businesses cover a wide variety of industries but are dominated by plastics, metals and food processing. They range in size from the tiny to the kibbutz which invented and produces Epilady hair removers and has a turnover of $100m a year.

Mr Amos Epstein, chairman of the association, said the kibbutz enterprises were now looking for outside partners for the first time. Some might incorporate themselves as limited companies with external equity.

This will inevitably mean some layoffs, previously anathema to the movement. "It will be painful, but there is no choice," Mr Epstein said.

The kibbutz are not the only sector facing employment problems as an attempt is made to restructure the socialist-oriented economy. Mr Shimon Peres, the finance minister, responded this week to attacks on him over unemployment of 8.3 per cent by saying efficiency must take precedence over employment for the economy to prosper.

Botha 'spoils' de Klerk return from Europe

By Anthony Robinson in Johannesburg

President P.W. Botha yesterday "welcomed" Mr F.W. de Klerk back from his European tour with a peremptory summons to Pretoria.

The pretext was a meeting of the State Security Council, chaired by Mr Botha, for which Mr de Klerk had to cut short an airport news conference.

By publicly flaunting the constitutional powers he retains as State President, Mr Botha once again underlined his lack of support for the man who tried unsuccessfully to persuade him to stand down so that Mr de Klerk could fight the general election on September 6 as President, as well as party leader.

Mr Botha's refusal to accept graceful retirement, and his insistence on exercising the wide powers given to him by the Constitution, have provoked widespread anger in the party.

Mr Botha's latest thinly-veiled insult to Mr de Klerk follows his refusal to attend a farewell banquet arranged by the party in his honour.

He announced that decision only hours before Mr de Klerk flew off to London on the first leg of his European tour, a move intended to humble Mr de Klerk who was received by foreign leaders as South Africa's president-in-waiting.

The party fears that Mr Botha's brooding presence and unpredictable behaviour could harm its electoral prospects and undo the advantage it hopes to reap from Mr de Klerk's cordial reception by European leaders.

Soviet influence pervades all sectors of life in Afghanistan

Christina Lamb looks at Moscow's stranglehold over debt-ridden and economically dependent Kabul

BEHIND the huge cement walls is the Wattan nursery or "orphanage of the homeland." Inside buildings guarded by tanks, tables are laid out with pamphlets proclaiming "heart of Moscow", while on the walls are photos of soldiers and poems dedicated to "the heroes of Jalalabad."

The books and signs are all in Russian – every year half the 500 Afghan children admitted go to the Soviet Union, Czechoslavakia, Hungary and Mongolia to study along with some of the 2,200 orphans from sister organisations in 19 provinces. There are presently 1,800 Afghan students between the ages of 6 and 12 studying in Eastern bloc countries and another 2,000 a year visit the Soviet Union for summer camp.

Mr Nafas Jahid, the director of the orphanage explains "they have to be taught that their parents were killed because of western imperialism." The Soviets may have failed militarily in transforming Afghanistan but even taking the most modest figures, for the last two decades they have been annually training some 2,000 students and 1,500 civil servants. Russian is the most widely used language and more than 80 per cent of Afghan intelligentsia, technicians and bureacrats are Soviet trained.

Soviet influence is not just ideological – since 1950 there has been increasing Soviet penetration into the economy. All major resources are transferred and processed by Soviets. By 1978 Afghanistan was host to 4,500 Soviet technicians – the largest number in any one foreign country.

Mr Nasim Rizvi of Pakistan's Institute of Strategic Studies says: "They tried forcible Sovietisation of Afghanistan but when that failed they changed tactics, not the objective."

Afghanistan is landlocked and unlikely to complete a planned rail link with Iran for 20 years and its relations with Pakistan are always unstable, meaning the only in and outlet is the Soviet Union. Although Pakistan gave transit facilities through Karachi port, today only 2 per cent of total trade passes through Karachi and by 1985 more than 65 per cent of foreign trade was with the Soviet Union.

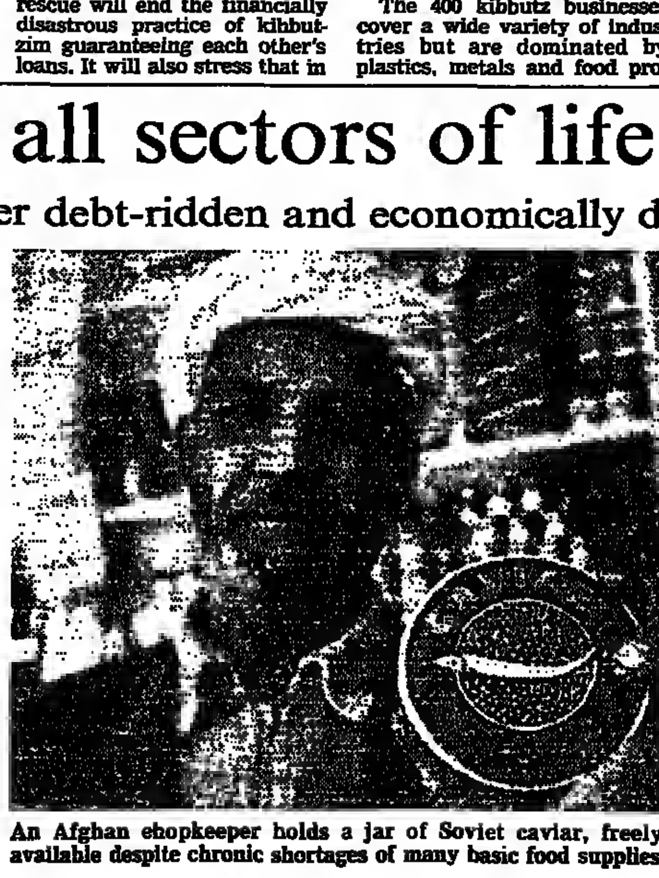
The Soviets are the sole customer of Afghan gas, citrus fruits and Czech-made cement which, in a bizarre deal, is swapped ton for ton with poorer quality Soviet cement. The Soviets have started mining high-quality iron, copper, chrome, lead, zinc, bauxite and according to unconfirmed reports uranium.

The Afghan economy is now so enmeshed with that of the Soviet Union that whatever government takes power in future will be unable to free itself. Even if Prince Sadruddin, the UN co-ordinator, manages to raise his target $1.1bn for reconstruction, this is far from enough. Inevitably the Soviets will remain a major influence.

In fact Afghanistan is in a stranglehold of debt to the Soviet Union. According to London's Institute of Strategic Studies in 1985 Afghanistan's foreign debt had reached $29bn (compared to exports of $639m in 1986) plus an unknown military debt. Most of this is owed to the Soviet Union.

In November 1980, then President Karmal admitted that 80 per cent of foreign aid was Soviet. Between 1980 and 1987 the total commodity support from the Soviet Union was $1.4bn and they are now thought to be providing 90 per cent of foreign assistance, compared to 40 per cent before 1978. As an Afghan government official said: "The Soviets have an immense lever over us."

President Najibullah's government, under siege from the Mujahideen, is well aware they could not survive without the 40-plus Soviet aircraft arriving daily with supplies. The airbridge is costing far less than the estimated $7bn per annum it cost to keep 115,000 Soviet soldiers in Afghanistan.



An Afghan shopkeeper holds a jar of Soviet caviar, freely available despite chronic shortages of many basic food supplies

Such help does not come for nothing. Nearly 60 per cent of Afghanistan's revenue comes from natural gas, 95 per cent of which was exported to the Soviet Union in exchange for economic assistance, essential commodities and equipment.

The price was unilaterally determined by the Soviets and western sources say they were paying a fraction of the world market price. Moreover, the metering was all done on the Soviet side so the amounts imported could differ significantly to published figures.

Even on the basis of their own figures, in 1981 Moscow was selling Soviet gas to Europe for more than twice the amount paid to Afghanistan.

The Soviets began using Afghan gas in 1968 after completing a 60-mile pipeline. More pipelines have since been built after finds in 1979 increased production by 65 per cent and agreements signed for the annual export of 2.5bn cubic metres of gas to the Soviet Union.

Aside from a subsidiary pipeline feeding to a small power plant and fertiliser plant, the Soviets did not allow for any use of the gas inside Afghanistan and since leaving in February have shut off the extraction, increasing government dependence on them.

In 1987 a permanent Afghan-Soviet comission on economic and planning co-operation was set up. Last year then Prime Minister Hasan Sharq signed an agreement in Moscow for bilateral co-operation until 2000 and by February 1988, 29 direct co-operation agreements in the fields of agriculture, industry, education and science had been signed between Central Asian republics and Afghanistan's northern areas which have very large deposits of minerals and gas.

Afghanistan became the first non-Communist country to accept Soviet economic aid in 1953 after requests from Washington had been rejected.

Field data documenting richness in a wide variety of resources recognising 78 industrial mineral deposits and world class deposits in iron, copper, emeralds and lapis was not released until after the Soviet-backed revolution in 1978, while in 1976 they say Soviet threats over Afghan debts forced the Government to assign them the rich Ainak copper deposit.

Savimbi denies self-exile plan

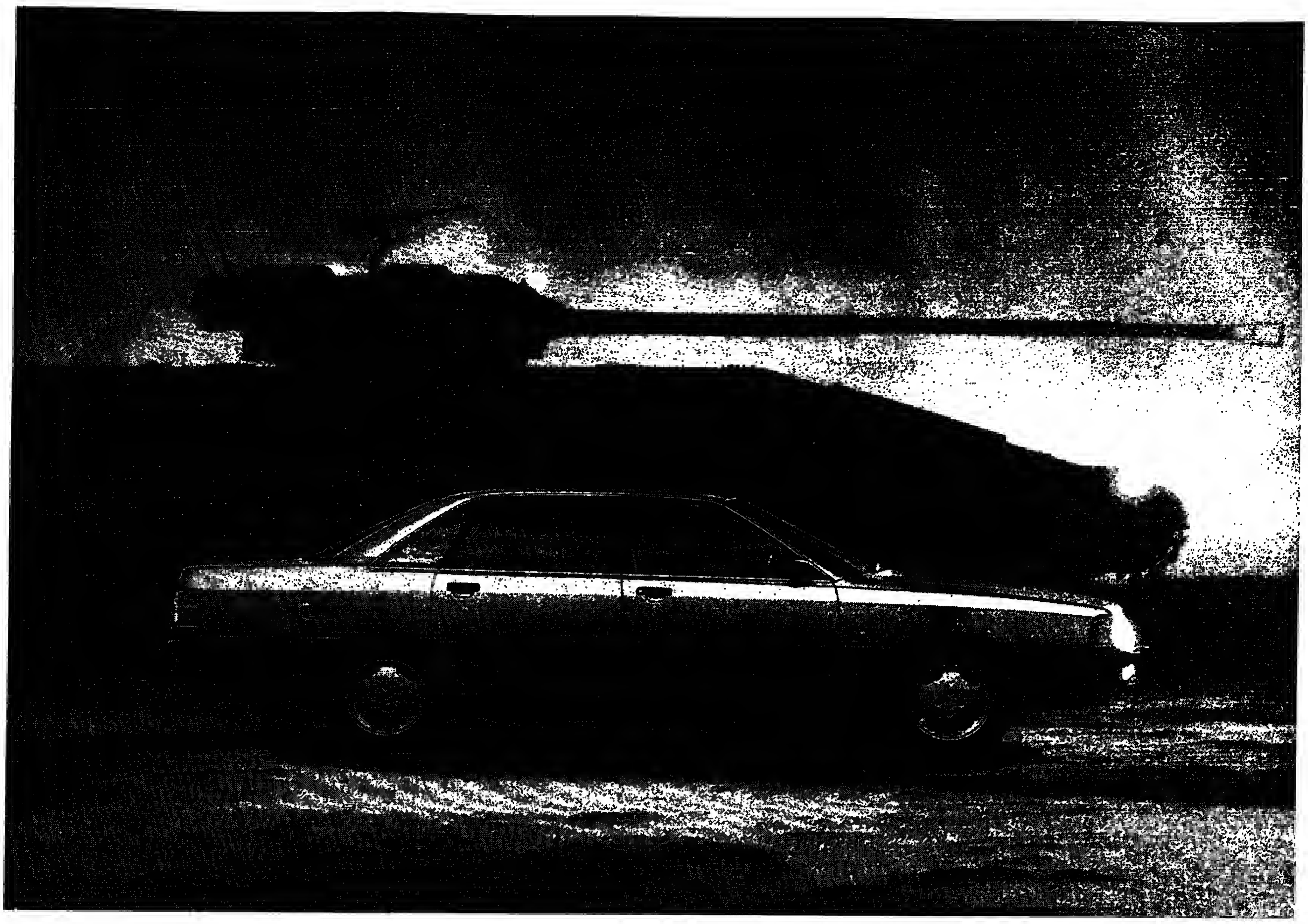
MR Jonas Savimbi, the Angolan rebel leader, has quashed speculation that he might go into exile but pledged full support for the peace plan to end 14 years of civil war, Reuter reports from Jamba.

Eighteen African heads of state in Zaire on Friday forged a reconciliation between Mr Savimbi's Western-backed National Union for the Total Independence of Angola (Unita) and the Luanda government, but left Mr Savimbi's future unclear.

"If you don't defeat a man you can't send him into exile," Mr Savimbi told reporters on Monday at his Jamba headquarters, in the south-eastern Angolan bush.

Mr Savimbi described as unfortunate a suggestion by Mr Kenneth Kaunda, the Zambian President, that Mr Savimbi would leave Angola temporarily while the peace process got under way. He said his own role was not discussed at the Zaire summit.

Delegations from Unita and Luanda are in the Zairean capital Kinshasa to work out further details of the peace plan, with Zaire as mediator.



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AMERICAN NEWS

Wang may have to repay £3.7m after plant closure

By Ivor Owen, Parliamentary Correspondent, in London

WANG Laboratories, the US computer systems manufacturer which bas decided to close its personal computer plant at Stirling in central Scotland, may be pressed to repay some of the £3.7m ($5.7m) it has received in British government aid since 1982.

Mr Malcolm Rifkind, the Scottish Secretary, told MPs in the House of Commons last night: "There may indeed be grounds to seek to reclaim monies paid, and we are examining them at ths present time".

He said Wang was paid £250,000 in February – the last tranche of the regional aid for which it qualified to locate the plant in Stirling. Mr Rifkind criticised the company for not giving earlier notice of its intention to close the plant, an omission for which it had apologised. His immediate concern was to secure continuity of employment for the workforce of 239.

The minister said: "The Government stands ready to co-operate with the company and others in seeking the productive use of this plant and its fine workforce."

Mr Donald Dewar, the opposition Labour Party's spokesman on Scottish affairs, led demands in parliament that pressure sbould be pnt on Wang to secure repayment of the funds it had received from the British taxpayer.

He described the closure as a bitter blow because it had been so flamboyantly described by ministers as a showpiece of new technology promising at least 700 jobs, which would not now materialise.

Mr Dewar accused Wang of a "lack of frankness" in not advising the Scottish Office of the impending closure until a week ago, and criticised the Department for not monitoring the company's activities more closely.

Mr Rifkind said Wang's explanation for deciding to concentrate production at Limerick, in Ireland, was that it wished to take advantage of the excess capacity there, and that there were advantages in having one European plant.

He emphasised that the rules governing the provision of regional selective assistance had been changed in 1984 to enable the Government to invoke a clawback process.

A shiver in Silicon Glen, Page 15

Brazilian speculator charged

By John Barham in São Paulo

THE BRAZILIAN speculator Mr Naji Robert Nahas has been charged by the federal authorities in São Paulo with currency smuggling and fraud.

This month Mr Nahas precipitated a stock market collapse when he failed to honour $31.1m in market debts.

The charges cite Mr Nahas for having tried to leave the country in 1988 with $19,000 casb, almost five times the allowed limit, and having made an illegal loan in 1983 when he was a major bank shareholder.

Sparks over flag

PRESIDENT George Bush, joining public protest against a court ruling, said yesterday he would support a constitutional amendment to prohibit burning of the US flag, Lionel Barber reports from Washington.

Mr Bush said he supported First Amendment rights to free speech, but said this did not extend to desecration of the flag, which was "a unique symbol of America."

Last week, a Supreme Court ruling protected the right of protesters to burn the flag.

Commercial banks want early Mexican response

By Stephen Fidler, Euromarkets Correspondent

MEXICO'S leading creditor banks, having made what they see as concessions in proposing a debt relief deal this week, are awaiting a response from the Mexican government before the weekend.

There is little expectation that the proposals made to the Mexicans late on Friday will provide the final shape of the agreement, but how constructively the Mexicans will view them is as yet unknown.

Bankers say the proposal contains two big concessions. The first is the deepening of the discount to face value that banks are willing to concede on the old loans; the second is a significant widening of the amount of debt banks have agreed should be eligible for discount.

It also is clear thet the proposal was made over opposition to the terms from at least one European bank in the 15-bank group, led by Citicorp of the US, which made the proposal.

The proposal would allow banks to choose among three options to provide relief of an annual $1.8bn over a three-year period on Mexico's debt outflows. The options are more loans (or a recycling of Mexican interest payments), the exchange of new low-interest bonds for old loans, or the exchange of new bonds with a lower face value for old loans.

The newly issned 30-year bonds would be supported by finance provided in part by the International Monetary Fund and the World Bank. Bankers say that financial enpport would be for two years of interest payments, rolling forward if not used, and of the bonds' principal.

The $39bn of loans made before 1982 would be exchangeable for bonds at a discount of 30 per cent to face value (up from 22 per cent), or low interest bonds at a fixed 7¼ per cent interest. The banks have allowed that $15bn of loans – made since Mexico triggered the start of the debt crisis by announcing in August 1982 that it could not meet its debt obligations – should also be eligible for debt reduction. These loans would be exchangeable for bonds with a 20 per cent discount to face value, or carrying interest of 7¾ per cent.

Mexico's last proposal called for a 45 per cent discount to face value on all its medium and long-term bank loans.

Bush defends maintaining relations with China

PRESIDENT George Bush yesterday defended maintaining relations with China after the massacre of pro-democracy protesters in Peking, and said he regretted Chinese postponement of a US Peace Corps programme, Reuter reports from Washington.

"I have expressed my concern about what went on in China ... but I reiterate also my desire not to do damage to the people themselves, because I believe that it was contact with the United States and others in the West that have moved the process of economic reform forward and hopefully some day will move the process of political reform forward," Mr Bush said at a White House news conference.

In response to the Chinese army's killing of hundreds of civilians on June 4, Mr Bush has cut off military sales to the communist government in Peking and suspended all high-level contacts between the two governments.

The President, a former US envoy to China, has been criticised by congressmen and others who said he should be leading the world outcry to the suppression in China.

Mr Bush said he regretted Peking's decision to postpone the start of a Peace Corps programme that would have sent US volunteers to China to teach English.

"If the Chinese say they're not welcome, they can't come in ... it's too bad, because one of the things that moved forward the reforms was contact with Americans."

Mr Bush, who as US envoy lived in Peking in the mid-1970s, defended his claims to a special relationship with China's leaders, even though he has been unable to make direct contact with them since the massacre.

"I did not predict what happened in Tienanmen Square ... and I guess the lesson is go forward as best you can, keep your eyes open, hold high the banner of values that we believe in ... I am determined to do my level best to keep from injuring the very people that we're trying to help – the Chinese people in general."

EC's China sanctions, Page 2; Peking gathering, Page 4

EC's Washington delegation chief departs US in optimistic mood

By Peter Riddell, US Editor, in Washington

WHEN Sir Roy Denman first arrived in Washington seven years ago as head of the European Community delegation, the EC's relationship with the US was "going through a rough patch". There were arguments about the Soviet gas pipeline, steel quotas, agricultural subsidies and multilateral trade talks.

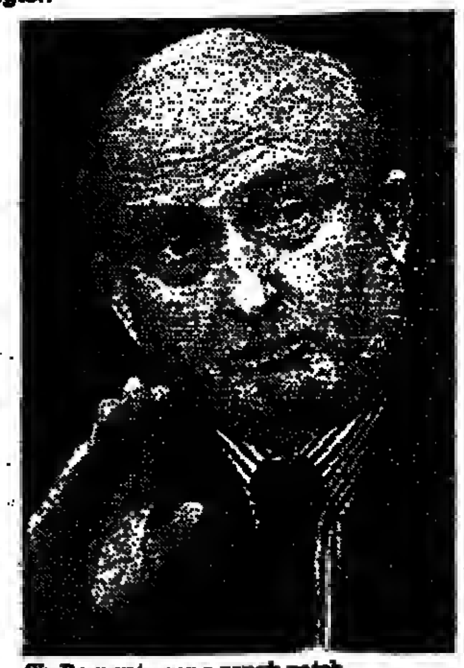
Many of these items are still on the agenda as Sir Roy prepares to leave Washington. He jokes that it is like a Cambridge examination paper: "The questions never change, but the answers do."

Sir Roy is none the less optimistic about the relationship. As he pointed out in his farewell newsletter to politicians and businessmen: "Disputes have ebbed and flowed, ranging from pasta and citrus to corn for Spain. But a major conflagration has been avoided. Essentially, it reflected a realisation at the political level on both sides of the Atlantic that a major trade war would be a bad thing for the western world."

With 40 years experience of trade issues in Whitehall and for the EC (including five years in Brussels as the EC's director-general for external relations before coming to Washington), Sir Roy is no starry-eyed optimist about the Atlantic relationship. Europe is not top of many Americans' overseas priorities. He recalls one Dallas businessman arguing that "Europe is an obsession of the east coast establishment".

While a distinctively English figure – no believer in the two Perrier lunch or Washington jargon – Sir Roy has seen himself as an interpreter of the US to Europe and vice versa.

Among common European misunderstandings he lists are a failure to realise the importance of the separation of powers. Reaching agreement with a member of the administration is often only half the battle. It is Congress which really matters.



Sir Roy: got over a rough patch

In the same way, he points to European under-estimation of the sheer diversity of the US. There is no such thing as a single American view.

There is also the historical US fear of what Jefferson described as "entangling alliances". This is reflected in a tendency to see the rest of the world through US eyes and values.

Sir Roy believes this has produced US misunderstandings about Europe. After the US enthusiasm in the 1940s and 1950s for the first steps towards European unity, there was in the 1970s and early 1980s a tendency to regard Europe as a disappointment, a busted flush absorbed with internal budgetary squabbles.

All this has changed with the 1992 process. The initial US reaction was one of alarm; as Sir Roy entitled one of his newsletters, "Who's afraid of the big bad wolf?"

Instead of talk of Eurosclerosis, there were fears of Fortress Europe. A US tendency to dismiss a sluggish, inward-looking Europe was replaced by recognition of the size of its market and dynamism.

US apprehensions have faded in recent months after talks leading to the revision in the banking directive to ease worries over restrictive reciprocity provisions and agreement that US views will be taken into account in setting community standards and regulations.

Sir Roy sees this as a good illustration of how the US and Europe can sort out their differences. This reflects an understanding of each others' point of view – in part also a result of separate, though shared, strategic interests.

The US and Europe are both relatively open markets – in contrast, he believes, to Japan with its different civilisation and more closed market and society.

So as he leaves to spend time both at Harvard and as a consultant, Sir Roy notes the recent successful and friendly meetings in Brussels and Washington between President George Bush and Mr Jacques Delors, the president of the commission.

Sir Roy quotes Mr James Baker, the US Secretary of State, that US/EC relations are now the best in the 8½ years he has spent in the administrations of Ronald Reagan and President Bush.

Troubled old man of the Caribbean Sea

Canute James examines the economy of the Dominican Republic

PRESIDENT Joaquin Balaguer, octogenarian leader of the Dominican Republic, appears to have run out of options to contain growing public disaffection with his handling of the economy.

Faced by rising debts, he has done little to bring stability to the increasingly violent Caribbean country and has provoked confusion about his political future.

The strike and violence which caused three deaths and left hundreds of people injured last week was the latest in a series of confrontations between an ineffective administration and militant unions and government workers. This latest strike was to protest at high prices and to support demands for a doubling of the national minimum wage of the equivalent of just over $60 per month.

The government cannot meet these demands because its financial house is in disorder. Earlier efforts to deal with deep-rooted problems had been shelved because of fears that the changes would produce reactions like those of this week.

Public anger had intensified this year when prices increased after the unification of a cumbersome multiple exchange rate system – a move which meant a 84 per cent devaluation over the last five years.

This followed inflation of 50 per cent last year (it is about the same for the first half of this year), which left Dominicans little impressed by the administration's boast of economic growth of 5 per cent last year.

Increased earnings from nickel, because of higher prices, from exports by the expanding export zones to which investors have been attracted by low wages, and from tourism failed to provide enough to guarantee improved living standards. The sugar industry, once the backbone of the economy, has fallen victim to reduced access to the US, once its main market, and low world prices.

Balaguer: Vacillating

The country's public utilities have fallen into disrepair because of the government's inability to maintain them. Hopes for an end to frequent blackouts – which have deterred potential investors and not a few tourists – were frustrated when the government failed to conclude a big loan agreement with the World Bank.

Mr Balaguer, who is now totally blind and will be 82 in September, is paying the price of appearing to be overwhelmed by the problems. He has displayed more than a passing level of confusion, for example, in trying to decide whether to deal with the International Monetary Fund.

The president is worried about possible adverse public reaction to austerity measures which would accompany a credit package. He has good reason. About 100 people were killed in riots in April 1984, when President Salvador Blanco tried to implement an austerity programme agreed with the IMF.

Just over a year ago, Mr Balaguer said he would be submitting a structural adjustment programme to the IMF, opening the door to new commercial credits and refinancing arrangements for the foreign debt. This followed a rejection by commercial bank creditors of the government's proposals for refinancing $800m before the conclusion of an IMF programme.

Government officials say that service of the foreign debt this year, including clearance of arrears, would demand $1.2bn – about 165 per cent of the value of the country's exports in 1988.

But, last December, in a reversal which is now typical, Mr Balaguer attacked the fund, saying the Dominican Republic would make no more sacrifices to meet its foreign debt obligations.

The vacillation over the economy is mirrored in the president's approach to his future in politics. He appears equally confused over his candidacy for the next election, due 11 months hence. Having first said he would not stand, the president accepted the nomination of his Reformist Party, then rejected it.

There is concern in the party that Mr Balaguer would lose because of his handling of the economy. The party is split between Mr Balaguer's supporters and those of Mr Fernando Alvarez Bogaert, who intends to contest the election.

The opposition Dominican Revolutionary Party would be expected to make capital of the ruling party's divisions, but is itself riven by factionalism.

Dominicans seeking a political alternative which could offer hope of economic reform might make an unlikely choice next year. Diplomats in the capital, Santo Domingo, say the situation favours a return to the presidency by Mr Juan Bosch, 80 this year and a socialist whose familiarity with the presidency in the mid-1960s was variously shortened by the Dominican military and US intervention.

Mr Bosch's perceived radicalism appears to have been tempered by age and time in the political wilderness. However, there is nothing to indicate that he would have the answers to questions raised by Dominicans who supported the strike.

Mr Balaguer, as usual, has offered a temporary solution. Telling unions this week that the government could not meet their demands, he suggested that they wait until the election.

Last-ditch appeal saves US telecom talks with Japan

By Nancy Dunne in Washington

A last-minute appeal yesterday by Mrs Carla Hills, the US Trade Representative, prevented the total breakdown of talks over American demands for improved access to Japan's telecommunications market.

Resolution of the dispute is seen as vital in salvaging worsening trade relations between the two economic superpowers. Under US trade law, Mrs Hill must impose unilateral economic sanctions if no agreement is reached.

A July 10 "working" deadline has been set for imposition of retaliation which would likely hit Japanese telecommunications exports to the US.

The negotiations, led by Mr Ichiro Ozawa, special envoy, and Mr Linn Williams, deputy US Trade Representative, continued until 4.30am yesterday. Mr Ozawa returned to the Japanese embassy and said the talks were at a standstill, and that he would be leaving.

However, a telephone call from Mrs Hills, asking for a one day extension, led to renewed talks.

The negotiations were the first high level meetings on telecommunications since April 28 when Mrs Hills announced that Japan was not meeting its commitments under a telecommunications pact with the US to give fair access to US cellular telephones, third party radio communications and other related products and services.

Talks between Motorola Inc. and Japanese officials to extend the use of Motorola cellular telephones were suspended on May 30 by Japan. Motorola has asked Japan to open up a new frequency so that its car telephones, now usable in areas outside Tokyo and Nagoya, could be used in those two major cities.

Seoul offers to complete Iran petrochemical plant

SOUTH KOREA is ready to help Iran complete a multi-billion dollar petrochemical project in which Japanese partners wish to end their participation, the Iranian news agency IRNA said on Monday, Reuter reports from Nicosia.

The agency said the offer to finish the Iran-Japan Petrochemical Company project was made by Jung Hyun-kwak, the head of South Korea's Association of Machinery Industry, in an interview published in the English-language Tehran Times.

The fate of the 50-50 joint venture remains unclear after an impasse in talks in Tehran last month between Iran's state-owned National Petrochemical Company and a Japanese-led consortium led by Mitsui.

Tehran rejected the Mitsui position that completion of the project was no longer economic. The two sides have invested Y600bn (£2.8bn) since 1971.

The plant was 85 per cent complete when the Iran-Iraq war broke out in September 1980.

Japanese workers were withdrawn from the site at Imam Khomeini port on the Gulf coast after it was attacked several times by Iraqi aircraft before a ceasefire took effect last August.

Mr Jung headed a 22-man delegation from South Korea's textile, chemical, electrical, construction and other industries. IRNA said he also repeated Seoul's readiness to help in Iranian post-war reconstruction, especially with expertise in building roads and oil refineries.

● Hangzhou Television Factory of China has become the first business from a Communist nation to receive approval for direct investment in South Korea, the South Korean Finance Ministry said, AP-DJ reports from Seoul.

Hangzhou is to invest $2.8m in a joint venture with Orion Electric of Korea and Zhejiang Fuchen of Hong Kong.

AGB in consumer research venture

By Christopher Parkes, Consumer Industries Editor

TWO OF Europe's leading market research companies are to form an alliance, pooling expertise and data, to develop a pan-European information service.

Britain's AGB said yesterday that it had signed agreements with GfK, a private West German organisation, which would lead shortly to several initiatives.

They will include a joint venture, Euroscan, to monitor shopping patterns and consumer behaviour with the help of data gathered by electronic scanners now commonly used at supermarket checkouts.

The venture would be established in Britain, France and West Germany with other European countries being brought into the data network within 12 months.

Mr John Napier, AGB managing director, said local research companies would join the scheme as joint venture partners in each country.

The two companies will also combine their resources and systems used to watch developments in markets for household durable goods. Under the influence of multinationals such as Electrolux and Philips, the market for kitchen appliances has been internationalised.

AGB currently runs the Lek-Trak service, which registers weekly shifts in the UK trade.

Mr Napier said further deals and agreements would be announced shortly which would involve exchanges of shares and further collaboration.

AGB and GfK have been closely associated for some years through participation in Europanel, a service which measures a wide range of consumer spending patterns in 15 countries. Under the latest agreement, Europanel will establish a new database in London.

AGB, which claims to be the largest market research company in the UK, was taken over late last year by Mr Robert Maxwell's Pergamon Professional and Financial Services.

US and EC seek the right to point a finger

Import safeguard proposals include singling-out provisions, writes William Dullforce

THE European Community and the US, against the wishes of almost all other trading nations, are seeking to retain the option of singling out countries for action to protect their industries against disruptive surges in imports.

Provision for this type of selective, discriminatory action figures in their proposals for reforming the much-abused safeguards mechanism in the General Agreement on Tariffs and Trade under which a government is allowed to impose temporary import restrictions.

The possibility of selective action in special situations is also included – but only as a footnote which picks up the language of the EC's proposal – in the draft text of a new agreement tabled yesterday by Mr Georges Marciel, chairman of the gronp negotiating on safeguards in Gatt's trade-liberalising Uruguay Round. A new safeguards agreement is regarded as crucial to the success of the Round.

The EC and US papers and the Marciel draft all foreshadow a radical reform of the current system which has been unable to prevent the proliferation of volnntary export restraint agreements and other "grey area" measures which are incompatible with Gatt and distort the free flow of trade.

They agree that a special committee should be established in Gatt to monitor countries' emergency protective action. They concur in the need for a more stringent definition of situations which would trigger action and for stricter timetables for the application and unwinding of protective measures.

The three papers respond to the injunction from trade ministers, when they completed their mid-term review of the Uruguay Round in April, that negotiation of a comprehensive agreement on safaguards should begin on the basis on a draft text in June. If the argument over selective action can be resolved, the papers should move the talks into a decisive stage.

The issue of whether protective action can be imposed bilaterally or must be applied without discrimination to all Gatt members lies at the heart of the talks

The issue of whether protective action can be imposed bilaterally or must be applied without discrimination to all Gatt members lies at the heart of the talks. Gatt excludes selective measures, which is one reason why governments under pressure have increasingly ignored its safeguards mechanism.

Developing countries, Japan and the smaller industrial nations are holding out for a strictly non-discriminatory application of any emergency protection. They want to outlaw the bilateral accords, increasingly used by big importing countries, such as those limiting imports of Japanese cars into Europe and European steel products into the US.

At the latest Gatt count more than 270 export restraint agreements circumventing Gatt rules were in operation. Four-fifths involved the EC and the US. More than 70 applied to imports of textiles and clothing, 64 to agricultural and food products, 52 to steel, 32 to electronic products and 21 to cars.

Two of the three options outlined in the US paper would allow such "mutually agreed" deals between an importing and an exporting country to continue. The third option proacribes selective action but contradictorily would nevertheless let countries apply grey area measures.

The EC paper, which lays out a twin-track approach to safeguards action, is more guarded but finds it "unrealistic at this stage" not to examine options for circumstances that might require a selective solution "accompanied by adequate guarantees for the exporting countries".

Washington and Brussels agree that, in the words of the US paper, the Gatt safeguard mechanism must be made "sufficiently dynamic and credibla, so that nations will act under it rather than outside of it".

Both concur with Mr Marciel that protection should preferably be applied through tariff increases but can also take the form of quantitative restrictions such as import quotas.

The Community's proposals are more detailed than those of the US. They seek two tracks for safeguard action, according to the length of the period of protection judged necessary for a country to cope with the injury inflicted on an industry.

Short-term safeguards would cover cases in which an injury could be absorbed by applying border measures alooe and would not remain in place for more than three years, the EC suggests.

Longer-term safeguards are envisaged for situations in which an industry faced a structural crisis and it was clear from the start that its competitiveness could not be re-established within normal time limits. The longer track would also embrace cases in which an importing country had applied safeguards but had oot bean able to absorb the injury within an initial time limit.

The EC stipulates that longer safeguards would have to be linked to a programme of adjustment measures. Mr Marciel's draft text picks up this link and adds that any safeguard measure lasting more than a year should be progressively liberalised.

The Marciel text mitigates a Gatt provision, which allows countries to retaliate if burt by import restrictions. This provisioo has offered another inducement for governmeots to act outside Gatt. Retaliation sbould not be applicable to safeguard measures which last no longer than a given number of years, the exact number to be agreed, Mr Marciel suggests.

Under his draft governments would also have to phase out "promptly" all existing export restraint arrangements.

It is likely that the Marciel text will be accepted as the basis on which negotiations will continue with the ultimate objective of having a new safeguards agreement ready for approval late next year, when the Uruguay Round is scheduled to end.

White House to decide soon on steel imports

By Nancy Dunne in Washington

THE BUSH administration is said to be nearing a decision on a steel import quota programme which would give the US industry less than the five years it has requested to complete modernisation.

President Bush, who promised before the presidential election to renew the "voluntary" restraint agreemants (VRAs) but did not commit himself to specifics, last week callad representatives from both sides of the debate to the White House. The quotas are due to expire on September 30.

The current VRAs limit the steel exports of 29 countries – including 10 members of the EC – to between 17 and 20 per cent of the US market. The President has said he will seek agreement with US trading partners to end steel subsidies and dumping.

The steel prodncers argue that nations frequently fail to live up to their agreements to end state support of steel.

A spokesman for Senator John Heinz, a Pennsylvania Repnblican, said Brazil, for example agreed to end subsidies to avoid payment of countervailing duties on its US exports.

The US later found failure to comply with the agreement and terminated the suspension of duties on carbon steel plate and wire rod.

Sweden wins power order

A SWEDISH consortium which includes Skanska,the country's largest construction company, and Asea Brown Boveri, has won a power plant construction order in India worth SKr6bn (£588m) writes Robert Taylor in Stockholm.

A third of the cost will be met from the Swedish aid budget and the rest in commercial loans from Sweden.

The project involves construction of an underground water power reactor in tha northern state of Jammu and Kashmir on the rivers Uri and Jhelah. It is expected to produce 480mw a year.

The Indian government is believed to have given the go-ahead to the deal last Friday. It is expected to take six years to complete the project.

Voest-Alpine wins Saudi steel wire plant deal

By Finn Barre in Riyadh

SAUDI Arabia's National Industrialisation Company has signed an SR165m($44m) contract with Voest-Alpine of Austria to build a wire drawing plant in Jubail, the industrial complex on the Gulf.

NIC will take a 30 per cent share in the new company known as National Wire Prodncts(Aslak). Other partners are yet to be determined.

Aslak will have a design capacity of 50,000 tonnes per year of high and low carbon drawn steel wire products such as prestressed reinforcing strands and steel cable cores. Dr Mahsoun Jalal, president and founder of NIC, says construction will take 22 months.

NIC predicts annual turnover of over SR130m, while the total project will be valued at SR195m.

Voest-Alpine is also competing for a contract, likely to be awarded in August, to build a steel foundry for NIC.

NIC also announced yesterday that Chloride of the UK will take a 30 per cent share in an SR52m automobile battery factory.

The battery factory is expected to produce 500,000 maintenance-free wet cell 12-volt batteries per year. This would supply 25 per cent of the Saudi needs. The factory is supposed to be built and operational by 1991.

UK NEWS

Monopolies body to probe Coats bid for Tootal

By Alice Rawsthorn

COATS Viyella's plans to expand its international textile interests by taking over Tootal suffered e setback yesterday when the £395m bid was refered to the Monopolies and Mergers Commission.

The bid has been referred, at the recommendation of the Director General of Fair Trading, on the grounds that the combination of the two companies' UK thread interests could be anti-competitive.

Sir David Alliance, chairman and chief executive of Coats, said he was "extremely disappointed and surprised" by the referral. He stressed that Coats was "absolutely determined" to proceed with the bid.

Coats and Tootal have dominated the world thread market for decades. If the bid goes ahead they would command 42 per cent of the £87m UK market for industrial thread and 70 per cent of the £8.5m domestic thread market. They would also control e third of the haberdashery, or sewing accessories sector.

The prospect of a merger between Coats and Tootal's industrial thread interests has caused concern in the UK clothing industry. A number of companies are understood to have made representations to the Office of Fair Trading arguing that the merger might disrupt supplies.

Coats is preparing e case for the MMC which will argue that the bid should be assessed in an international, rather than a domestic context. It will also claim that the advantages of the merger – the economies of scale in manufacturing and marketing – would outweigh any effect on competition. Sir David said Coats had always intended that the UK thread companies should continue to compete independently.

The MMC will complete its report on the bid within three months. In the meantime Coats is not allowed to increase its 29.9 per cent stake in Tootal, nor can it exercise voting rights for more than 15 per cent of the equity.

If the MMC decides that the merger would be anti-competitive, Coats could be forced to abandon the bid. It could also sell part of the UK thread interests, which represent a small part – about 2 per cent – of the two companies' combined sales of £2.3bn. Sir David said Coats was "not considering divestment at this stage."

No action on Nightmare

By Raymond Hughes, Law Courts Correspondent

THE Serious Fraud Office has decided not to take legal action over the publication of Nightmare – The Ernest Saunders Story, written by Mr James Saunders, the barrister son of the former Guinness chairman and chief executive.

"I have been authorised to say that the Law Officers are not going to take any action in relation to the book," e senior SFO official said yesterday.

The statement ended speculation that the SFO, which is prosecuting Ernest Saunders and six others for alleged criminal offences during the takeover by Guinness, the drinks group, of Distillers, the whisky group, might regard the book as potentially prejudicial to the trial, due to start on January 8, and seek e High Court injunction stopping its further distribution.

Nightmare appeared unheralded in a number of London bookshops on Friday and was officially launched on Monday.

IBM seeks to trim age 'bulge' with job scheme

By John Gapper

INTERNATIONAL Business Machines is modifying its philosophy of guaranteeing employment for life to all staff in an attempt to even out the bulge in its age profile among those aged between 40 and 50.

IBM is introducing more flexible work contracts for graduate trainees in Britain and is encouraging staff older than 53 to retire early with the opportunity to return to work for the company part-time.

IBM, which has traditionally guaranteed employment to all workers provided they are willing to be mobile and retrain in new skills, is now recruiting a proportion of graduates on four-year fixed contracts.

It has encouraged about 400 older employees to retire early in the past five years, some on increased severance terms. It plans to offer older workers early retirement from full-time work with a switch to part-time jobs.

About 32 per cent of the company's 18,000 UK employees are aged between 40 and 50 because of rapid expansion in the 1960s when it employed 9,000. The skew in its age profile towards middle-age means only about 30 employees retire at the age of 63 each year.

Sir Len Peach, IBM personnel director, said the company faced a temporary problem in its "age bulge" in the middle. It was trying to balance the age profile by encouraging some older managers to retire.

It had introduced four-year contracts for graduate entrants, to attract young people who wanted the freedom to leave the company after an initial period of training and work experience.

The company would continue to offer long-term employment to between 75 and 400 graduates a year, and was sticking to its "full employment" policy for the bulk of staff. Any retirements after 53 would be strictly voluntary.

Plan unveiled to bring Britain in time with Europe

By Richard Donkin

THE GOVERNMENT published a policy discussion document yesterday unveiling plans to bring British clocks in line with most of the rest of Europe giving longer, light summer evenings and darker winter mornings.

The time change, it says, would reduce road deaths, save millions of pounds in lighting, give more time for business between the UK and the rest of Europe and allow more evening leisure time. It would also reduce the fear of crime, particularly among the elderly.

The document concedes, however, that the proposal would be unwelcome in Scotland and among workers with early starting times, including farmers, builders, postmen and milkmen.

Ministers have steered cleared of expressing any opinions and a decision to pursue the proposals will rest largely on the outcome of public debate. The Home Office said any change, which would need legislation probably on the basis of a free vote in parliament, could not be put into effect before 1993.

The document, while including the option of maintaining the status quo, reveals that 55 per cent of replies from a Government departmental survey of 410 interested groups was in favour of adopting single/double summer time, or SDST, (GMT +1 hour in winter and GMT +2 hours from the end of March to the end of September).

Only 34 per cent opted for retention of the status quo and 11 per cent opted for losing summer time in October to harmonise clock changeover dates with Europe.

An earlier survey with five possible options revealed how the battle lines would be drawn for the debate. Farming, forestry, construction, manufacturing and distributive industries wanted to keep present arrangements.

British Airways and British Rail gave provisional support for SDST while the tourist industry favoured a return to continuous summertime (British Standard Time), abandoned after a three year experiment between 1968 and 1971.

Steel, chemical and mineral industries, transport and shipping were among those supporting harmonisation of end dates. An extension of summertime in February and November had no support.

The most telling argument in favour of change is a Department of Transport study which shows that if single/double summer time had been operating in 1987 it would have reduced road deaths by about 159, serious injuries by 654 and lesser injuries by 1,247, at a saving of £90m.

A further £35m would be saved in lighting costs every year and by entering the Central European Time zone, working days of British and continental businessmen would overlap more.

The paper says that timetabling for airlines would be streamlined and there would be gains in trade and communications with the far East which the Home Office belives would outweigh the loss of an hour's overlap with the US.

Figures show halt to falling savings trend

By Ralph Atkins, Economics Staff

THE LONG-RUNNING fall in the proportion of incomes saved by individuals in the UK showed signs of flattening out at the start of 1989, according to official figures yesterday.

The "savings ratio", or personal savings as e percentage of disposable incomes, stood at 5.1 per cent in the first three months of the year, the Central Statistical Office said.

That was unchanged from the last quarter of 1988 and compared with a low of 2.9 per cent in the third quarter of last year.

At the same time, rapid growth in real incomes showed signs of easing.

After allowing for inflation, personal disposable incomes increased by just 0.5 per cent in the first three months of this year. This followed a jump of 4 per cent in the previous quarter.

Compared with the first quarter of 1988, however, real incomes were 4.7 per cent higher. That followed an annual growth rate of 5.4 per cent in the previous quarter.

The pattern of the savings ratio in recent quarters is likely to provide comfort for the Treasury, suggesting consumers are reigning in on spending.

Since the beginning of the 1980s the savings ratio has fallen dramatically, almost certainly reflecting greater consumer confidence and lower inflation.

Revised figures show that in 1988 as a whole, the savings ratio fell to 4.5 per cent – the lowest for 30 years.

The CSO figures show consumers' expenditure increased by 2.0 per cent in the first three months of the year.

Total personal disposable income, before taking inflation into account, also increased by 2.0 per cent and was 10.5 per cent higher than a year earlier.

● Official figures for the profits of industrial and commercial companies due for release yesterday have been delayed because of a power failure last week, the Central Statistical Office said.

The power failure appeared to have distorted information stored on computers. This led to errors in the press release which were discovered during final checking. The CSO said the figures would be published on Thursday.

Earnings to rise 'by more than 9%'

By Ralph Atkins, Economics Staff

AVERAGE EARNINGS in Britain will grow by more than 9 per cent this year and more than 8 per cent in 1990, according to forecasts to be released today by the Commission of the European Communities.

Strong rises in wages and salaries will be accompanied by buoyant inflation and current account deficits in excess of £16bn in both 1989 and 1990, the forecast will show. Economic growth is expected to slow only gradually in the same period.

Gross wages and salaries per head in Britain are expected to rise by 9.1 per cent in 1989 after growing by 8.6 per cent in 1988. For 1990, a rise of 8.1 per cent is projected.

The Commission's measure of inflation, the "consumer price deflator", is forecast to rise by 5.8 per cent this year after an increase of 5 per cent in 1988. A modest deceleration, to 5.2 per cent is forecast for 1990.

Gross domestic product is expected to rise by about 2.5 per cent this year and a little more than 2 per cent in 1990. That compares with a growth rate about 4 per cent in 1988.

Swiss managers top Europe pay league

By Michael Skapinker

SWISS senior executives in medium-sized companies are the highest paid in Europe, while Italy boasts the best paid heads of finance, says a study published jointly yesterday by seven European consulting firms.

The pay of British executives, however, still trails that of their continental counterparts, despite their having won bigger salary increases than continental managers over the past three years.

The eight-country survey was carried out by the newly-formed European Remuneration Network, which was also launched yesterday. It is made up of P-E Inbucon in the UK, DIP Management Consultants in Belgium, Institut Technique des Salaires in France, Kienbaum Personalberatung in Germany, BSI Italia, Berenschot in the Netherlands, and Inbucon in Ireland.

The study found that the managing director of a Swiss manufacturing company with a turnover of £75m earns £99,823 in basic pay and bonuses. A British managing director earns £62,256 – less than counterparts in Germany, Italy, France and Belgium, but more than managing directors in the Netherlands and Ireland.

The European Remuneration Network also found that the pay of Italian heads of finance outstrip that of their counterparts. The senior finance executive in a medium-size Italian manufacturing company earns £57,358 in base pay and bonus. The head of finance in n UK company of similar size earns £41,656. Only Irish finance directors earn less.

Most managing directors in the countries surveyed had company cars. But a larger proportion of British directors, heads of function and middle managers had cars than in any other European country.

The survey found 88 per cent of UK directors had company cars, compared with 60 per cent in Belgium, Germany, France, Switzerland and the Netherlands. About two-thirds of UK managers had company cars, compared with less than half in the Netherlands and just over n quarter in Germany.

Remuneration in Europe, from P-E Inbucon, Park House, Wick Road, Egham, Surrey TW20 0HW. £500.

Local councils face disruption after strike vote

By Michael Smith, Labour Staff

SERVICES provided by Britain's local councils face widespread disruption after Nalgo, the local government nnion representing clerical workers, announced yesterday thet its members have voted to stage a series of strikes.

Nalgo said the strikes, which begin with a one-day stoppage next Tuesday, would close most local government services, including housing departments, social services, leisure centres, rates departments and poll tax offices.

Traffic wardens and police support staff outside London would also be called out.

In the ballot among 500,000 Nalgo members, 60 per cent of voters were in favour of taking industrial action in protest against a 7 per cent pay offer and plans by the employers to give Britain's 500 local anthorities more flexibility in applying national agreements.

Of the other unions representing clerical local govarnment staff, only one has so far announced the results of identical ballots among their members. The 40,000 members of the Apex Partnership, the staff section of the GMB general union, have voted by a two-to-one majority to strike.

However, Mr David Plant, Apex national officer, said Nalgo had pressed the other nnions to hold the hallot. "Local government officers are not militant hy nature," he said. "There were indications from the employers that we could have made further progress around the table."

Mr Harold White, chairman of the employers' side, said of the strikes would damage the image of local government to the delight of its detractors. "The employers' far exceeds tha Government grant provision to local authorities of 4.8 per cent and goes considerably beyond the budget provisions of very many authorities."

Unleas tha employars achieved their aim of greater flexibility in negotiations there was a risk of the national agreement becoming irrelevant.

Next Tuesday's strike will be the first to be held by clerical workers in local government over a national pay dispute. Assuming no progress is made in negotiations, it would be followed by a two-day strike the following Tuesday and Wednesday and n three day strike the following Tuesday, Wednesday and Thursday.

Nalgo, which is pressing for 12 per cent or £1,200 a year and the abandonment of the bargaining proposals, warned that if tha strikes produced no movement from the employers it will hold a hallot for an indefinite stoppage.

Tha employers, meanwhile, are hoping that enough people will cross pocket lines to enable them to run services, at least partially. They pointed ont yesterday that there are 750,000 white collar workers in local government and, so far less than 200,000 have voted for taking industrial action.

Second rail stoppage expected to halt services

BRITISH RAIL does not expect any trains to run today, as the National Union of Railwaymen holds its second 24-hour national strike in protest at pay and a proposal to break up national pay hargaining, writes Fiona Thompson.

But London Underground, where NUR members are also taking strike action, expects to operate some services on all but a few lines. Members of the Aslef train drivers' union are expected to work.

London bus workers have been instructed by TGWU officials to work normally pending the outcome of talks on their pay dispute at Acas, the conciliation service. The union warned there was a possibility of some unofficial action.

● Delegates from the Transport and General Workers' Union, Britain's higgest, rejected the opposition Labour Party's naw multilateralist nuclear defence policy hy a vote of 412 to 367 at the union's hiannual meeting in Brighton.

The union accounts for a 1.25m block vote at the Labour Party conference, hnt yesterday'e vote is not expected to frustrate the passing of the new policy at the Labour conference this autumn.

Education policies fail the tests of time

One of the most wide-ranging studies of English secondary schools upsets many long-held beliefs about the effects of background on achievement. **David Thomas** reports on the study's findings

The death knell was sounded yesterday for many of the sacred cows which have shaped education since the 1960s by the publication of one of the most thorough studies ever undertaken of English secondary schools.

The Policy Studies Institute and the Department of Educational Research at Lancaster University have been husy since 1981 plotting the progress of 3,000 pupils through 20 comprehensives in the South-East, the Midlands and the North.

The project, puhlished in a 325-page book, began as a study of the pressures shaping the education of ethnic minority children, who accounted for between 12 and 89 per cent of the school's children.

But it ended up as an analysis of the quality of urban comprehensives generally, in the process casting doubt on many of the articles of faith of the educational establishment.

For many years, the report points out, comprehensive schools have been seen primarily as instruments to promote social equality – to level out differences in ahility which children show at the age of 11. This is dismissed by the study as a shibboleth. "Individual differences in ettainment cannot be snbstantially reduced hy educational policies," tha report argues.

But this is not to say that schooling is unimportant. On the contrary, the key finding of the study is that the quality of schooling makes all the difference to the *progress* made by individual pupils.

The PSI-Lancaster teem established this hy testing children in reading and maths when they entered the comprehensives and also in their second year. This was then followed up by a study of results achieved in public examinations at age 16.

Even hy the second year, the differences hetween schools had begun to show up in test results, with some schools achieving much more rapid progress in reading and mathe than others.

In particular, individual schoola diffared much more sharply in their progress than did ethnic groups. in other words: "Which school a child goes to is more important than which ethnic group he or she belongs to as an influence on the rate of progress in reading and maths."

The results were even more clearcut when the children reached 16. Pupils who had scored identically in their second year produced markedly different exam results.

Those who had notched up an average score in maths and reading at the end of their second year tended to get significantly worse results in English in pnblic examinations at the poorest schools.

Part of the discrepancy was explained hy the different expectations schools had of their pupils, with no clear link axisting between attainment levels as measured hy the PSI tests and the exams for which the children were entered in schools.

The PSI-Lancaster team concluded from this that there could be a great leap forward simply by levering the worst schools up to the atandards of the best.

"It is possible to envisage a redical improvement in the standards of scholastic achievement in comprehensive schools within the current framework," Mr David Smith, one of the authors, said yesterday.

In particular, hlack children's progress is determined hy precisely the same factors as that of white children.

"The measures that will most help the racial minorities are the same as those that will raise the standards of secondary education generally."

This is not to decry the fashion for "multi-cultural education" – teaching pupils about ethnic minority cultures.

Rather, multi-cultural education should form part of every pupil's education. It has nothing to do with raising the performance of ethnic minority groups.

Indeed, contrary to stereotype, the study found that hlack children had by their fifth year narrowed the performance gap with white children which existed in the second year.

Mr Smith attributed this finding to the motivation of many ethnic minority families.

"There is s vcry high commitment towards educationai achievement among ethnic minority groups which is not mirrored among the indigenous working class."

Supporting this, a survey of parents found little disquiet among hlacks about racial prejudice or hostility at school, but considerable concern about academic standards and lack of discipline.

By contrast, the study found that differences in attainment between working end middle class children, and between boys and girls (boys are better at maths, hut worse in English) tend to widen during secondary school.

The tesm's attempts to explain their findings ware hampered by hostility among teachers towards their project. Only a third of teachers in the schools responded to the study's questionnaire.

Some of the teachers objected to their pupils being tested on the ground that this would have "a deadening and negative effect" on the children, whilc others argued that the study would be bound to promote "racist ideologies."

Nevertheless, the authors speculate that the key to poor performance lies in the way the comprehansives are run and mansged, at both the school and department level, since some schools were found to do far better in one subject than others.

● *The School Effect: A Study of Multi-Raciol Comprehensives, by David Smith ond Sally Tomlinson. PSI, 100 Park Village East, London NW1 3SR. £24.95.*

Lloyd's members plan legal action over losses

By Patrick Cockburn

MEMBERS of two loss-making Lloyd'e insurance syndicates said yesterday they would hring legal action for negligence against the underwriting agencies which managed the syndicates and other companies at Lloyd's.

The two syndicates, which face combined losses of almost £400m, timed their announcements to coincide with tha annual general meeting of Lloyd's today.

An action group representing 570 people who in 1984 belonged to non-marine syndicate 553 – which faces losses of £80m – said it would issue writs today against 39 Lloyd's underwriting agencies which introduced them to the syndicate.

Writs are also being issued against the anditors and management of the syndicate.

At the same time, representatives of 600 members of the Outhwaite marine syndicate have decided that they cannot resist a demand for £64m in cash to meet losses, but intend to start an action for negligence against RHM Outhwaite and the agents who introduced them to the troubled syndicate.

Mr Peter Nutting, chairman of a steering committee set up by Outhwaite members facing losses of £304m, has written to the 1,600 underwriting mambers affected, to say that it is unlikely members would be able to gat an injunction to stop the cash call.

Instead, Mr Nutting says that the committee has decided to bring a case for negligence against Outhwaite and tha members agents.

The case would turn on the circumstances under which Outhwaite eyndicate 317/661 issued policies reinsuring other Lloyd's syndicates and insurance companies against liabilities arising from asbestos-related diseases and pollution in the US.

In both cases the members of tha loss-making eyndicates have been eager to involve the the council of Lloyd's, but with limited success.

The council takes the view that it cannot involve all the members of tha market in meeting the losses of a limited number who knew the risks of unlimited liability when they entered the market.

FT LAW REPORTS

Patent writ can be served in US

UNILEVER PLC v GILLETTE UK LTD

Court of Appeal (Lord Justice Slade, Lord Justice Mustill and Lord Justice Ralph Gibson): June 22 1989

A FOREIGN parent company may be sued as joint tortfeasor with its UK subsidiary in a patent action if the patent-owner has a good arguable case for saying that the two companies, in view of their relationship and common commercial aims, acted in concert pursuant to a common design resulting in infringement.

The Court of Appeal so held when allowing an appeal by Unilever plc, from Mr Justice Falconer's decision refusing leave to serve a writ out of the jurisdiction on The Gillette Company, Boston, as second defendant in an action by Unilever against Gillette UK Ltd.

LORD JUSTICE MUSTILL said that Gillette Boston was the parent company of a worldwide group dealing in the manufacture and sale of pharmaceuticals.

Among its products was an aerosol antiperspirant spray. Its active ingredient was a hydrated aluminium chloride. A new variety of that ingredient, codenamed "Apache", was developed by Gillette Boston 10 years ago. It was supplied in powder form to Gillette UK, which made it into canned aerosol preparations and sold it in the UK.

Unilever owned a European patent for an antiperspirant invention. It maintained that by importing the Apache ingredient and selling the product, Gillette UK had infringed its patent. It brought an action against Gillette UK for an injunction to restrain the alleged infringement.

Gilletta UK disputed the validity of the patent. The action was at an advanced stage of preparation.

Unilever now sought to join Gillette Boston as co-defendant. It thus required leave to amend the writ and statement of claim, and to serve proceedings in Boston, pursuant to Order 11 of the Rules of the Supreme Court.

Mr Gratwick for Unilever accepted there was no evidence that Gillette Boston was a direct infringer. The case was presented on the basis that the dealings between Gillette Boston and Gillette UK, viewed in the light of their relationship and common commercial aims, demonstrated that Gillette Boston was party to the alleged infringements and was liable as joint tortfeasor.

If that contention was correct, the claim against Gillette Boston would fall within Order 11, and the court would have a discretion whether to make an order for service out of the jurisdiction. If the discretion was exercised in Unilever's favour, an order for joinder and amendment would follow as a matter of course.

Mr Justice Falconer held that Unilever had not made out any cause of action against Gillette Boston as infringer, so the case did not fall within Order 11. Unilever appealed.

The question was whether the court was willing to infer a common design between the two Gillette companies. If the inference was a fair possibility, the court should decide at the present stage whether it should be drawn. Formerly, there could be only one action in relation to one tort, so that judgment against one joint tortfeasor would release any claim against another.

The severity of that rule was mitigated by statute in 1935, but by then a jurisprudence had grown up concerning the distinction between joint and several tortfeasors.

In *The Koursk [1924] P 140,156* three situations were identified where A might be jointly liable with B: where A was master and B servant; where A was principal and B agent; and where the two ware concerned in a joint act done in pursuance of a common purpose. That list formed the basis for all subsequent statements of the law.

In *CBS Songs v Amstrad [1988] 2 WLR 1191* Lord Templeman said "infringers are two or more persons who act in concert with one another pursuant to a common design in the infringement."

The question was whether, if allegations in the draft amended statement of claim were proved true, and if they were set in the context of the relationship between the companies, a judge could reasonably conclude that (a) there was common design between the Boston and UK companies to do acts which, if the patent was upheld, amounted to infringements; and (b) the Boston company had acted in furtherance of that design.

That did not call for any finding that the secondary party had explicitly mapped out a plan with the primary offender. Tacit agreement would be sufficient. Nor was there any need for a common design to infringe. It was enough if the parties combined to secure the doing of acts which in the event proved to be infringements.

The facts on which Unilever sought to raise an inference that the companies were involved together in a common design were summarised:

1. The Boston company sold Apache to the UK company. That was insufficient to make a case of joint infringement.

There were however, some special features: (a) Apacha was not an ingredient which might be made up into an infringing compound. It was the infringing compound itself. (b) Apache was not a substance which was capable of various uses, some infringing and others not. (c) Apache was not a substance of ordinary commerce. It was manufactured solely by the Boston company *and was sold only* to companies within the Gillette Group.

2. The Boston company must be taken to be aware of the Unilever patent, although not accepting it was valid. That alone could not be decisive, but it was a material fact when considering whether an inference of concerted action should be drawn.

3. The Boston company was the parent of the UK company. Unilever contended the Boston company had the power to control tha UK company's action, and that even if the power was not exercised, everyone knew it was there in reserve.

4. The two companies were parties to a know-how agreement, under which the UK company was entitled to call and did call for advice in the formulation of a marketable product incorporating Apache.

5. The Group's headquarters at Boston exercised a worldwide right of veto over all products intended to be marketed by gronp-members, to ensure they were acceptable on medical grounds.

6. The Boston company gained financially from supplying the UK company, through direct profits, royalties and the enhancement of its subsidiary's net worth through profits made on sale.

The arguments were not all one way.

Unilever did not suggest that Gillette UK came under any pressure from Boston to market a product containing Apache. There could scarcely be a common design, so the Boston company maintained, where a supposed party to the design stood entirely aside from the conception of the plan which led to the infringement.

Also, it was said, the giving of health clearance might have authorised tbe infringement, but that was not the same as participating in it.

Those were strong arguments and they might prevail. But the court's task st that stage was simply to consider whether, when the undisputed facts were set in the context of a full exploration of the background, Unilever had a "good arguable" case to advance before the judge, to the effect that there was a meeting of minds between the two companies with a view to furthering the sale of products containing Apache in the UK.

It was clear that they could. The case was appropriate in principle for the grant of leave under Order 11.

There remained the discretion. Tbe only substantial argument was that Unilever should not be allowed to introduce a new party at this stage.

In fact, the request to the Boston company to accept service and joinder was made in July 1988. If it had agreed there would have been ample time to reconstitute the proceedings and still keep a trial date in October 1989.

Tbe companies could scarcely be criticised for their negative response since it was endorsed by the judge.

Nevertheless, on the present view, it was misconceived and they could not be permitted to rely on a risk of prejndice which they themselves had created.

Unilever had a case on joint infringement which it should be permitted to put before the judge.

The appeal was allowed.

Their Lordships agreed.

For Unilever: Mr Stephen Gratwick QC and Henry Carr (Bird & Bird).

For Gillette UK: Mr Simon Thorley QC ond Andrew Waugh (Bristows Cooke & Carpmael).

Rachel Davies
Barrister

MANAGEMENT

Continuing his series on Electrolux, **Christopher Lorenz** questions the logic of its ownership of such diverse businesses as aluminium manufacture and commercial cleaning services

Trying to play coach to odd offspring

Why does one of the world's leading manufacturers of household appliances own a business which makes aluminium foil and greenhouse frames, and is also a major scrap metal merchant? Is it just a counter-cyclical investment to balance its portfolio – but which could all too easily divert top managers' attention from the group's core activities? Or can the parent company add any real value to it (other than helping it recycle old fridges)?

Since the Stockholm-based business, Graenges Aluminium, is the second largest division in the Electrolux group, with sales of SKr 6.9bn (£674m) last year, the question is even more germane than the equally legitimate one of why the Swedish combine also owns a disparate bevy of smaller businesses: from such exotic enterprises as "Greenfingers", a supplier of plants and flowers to British offices, to Blaw Knox, an international maker of road-paving machinery which will be familiar to anyone caught in a motorway traffic jam. And what about Electrolux's growing network of commercial cleaning and laundry service companies?

Like most other multinationals in Europe and the United States, Electrolux is less diversified today than it was a decade ago, thanks to the sale of several businesses, including ones in office machinery, cash registers, and radio and television. But its shift "back to basics" has been far less marked than those of many other companies.

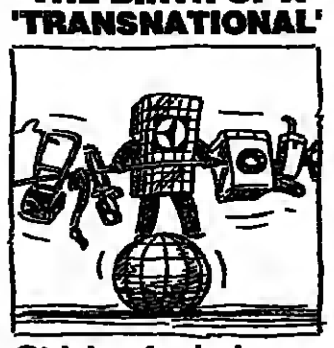
The reasons why Electrolux still operates in so diverse a range of fields get to the heart of the company's ability to be an effective parent to such a varied range of businesses, with different characteristics and requirements.

Anders Scharp, Electrolux's president and chief executive, readily admits that some of the smaller offshoots of his empire may be temporary, held – and even sometimes expanded by acquisition – until a chance comes to sell at a profit. "There are always some odd activities in our basket," he says. Electrolux has for decades traded companies in this way.

But Scharp is somewhat more committed to Graenges Aluminium and very much more so to the commercial services business.

Graenges Aluminium was bought in 1980, as part of the conglomerate-like Graenges group, Electrolux's final major diversification before the last

THE BIRTH OF A 'TRANSNATIONAL'



Striving for balance

nine years of consolidation and complementary acquisitions. Over three quarters of the Graenges businesses, in activities from construction to copper products, hydro-electric power to steel and plastic tubes, have since been sold – the latter as late as 1986.

For several years Graenges Aluminium was itself considered as an almost certain candidate for divestment, and was handled very much at arm's length. But Per-Olof Aronson, under whom the business has prospered mightily since he took charge in 1983, says that "Electrolux management has found that we are not totally uninteresting to own, and is taking a much closer interest now in our strategies." The two companies have also been brought closer together by Aronson's appointment as a full member of Electrolux's executive committee.

Anders Scharp admits that Graenges could in theory be sold at any time, but says "it can develop better within Electrolux – at least for the moment. Five years from now that might be different."

Scharp insists that this is not merely a roundabout way of saying that Graenges has become a highly profitable cash cow in the current buoyant state of the aluminium market. There may be virtually no business synergies with the rest of the group, but as a corporate parent, "I think we can give them a lot," he says, in terms of shared managerial skills. (Revealingly, Scharp and most of his top Electrolux colleagues still refer to the company as "them", not "us".)

For one thing, Scharp claims that Electrolux's increasing involvement in the aluminium company has helped the latter gather international expertise for its current expansion outside Scandinavia. He also points to the scope – not yet exploited – for managerial transfers between Graenges and the rest of the group.

In the new language of "corporate parenting" theory (see the introductory article in this series), such skill-sharing falls into the category of "coaching", as opposed to the "orchestrator" role which Scharp plays towards Electrolux's household appliances businesses. It also differs from the narrow "controller" role which most companies in Electrolux's position play towards such apparently peripheral businesses as Graenges.

Per-Olof Aronson is reluctant to concede that Electrolux's experience outside Scandinavia has given him any particular assistance with Graenges' own international expansion. He says: "It's impossible for people whose main products are white goods, chain saws and so forth to give any specific help with our strategy." He also stresses that his company's investments could have been self-financed.

But Aronson confirms emphatically that Electrolux plays a very effective coaching role, in a general way – especially in the form of Anders Scharp himself. "They are very skilled commercially, and they're good general strategists," he says. "Anders is an extremely growth-oriented, aggressive manager who pushes you hard, and really asks for radical improvements." He says Scharp phones him twice a week on average, sometimes several times a day when there are management or organisational problems, for example.

Aronson also values the participation of several of his managers in Electrolux's recently developed group management development programmes.

Externally, Aronson says Graenges benefits from Electrolux's size and network of contacts, in terms of sales, takeover negotiations and so on. "If you're part of one of the largest industrial organisations in Europe, of course it helps now and then."

On the negative side, Aronson says – though head office disputes the contention – that Electrolux "finds it difficult to accept" the long capital expenditure cycles which are a characteristic of the aluminium industry. These have payback periods of five or six years, compared with the much shorter ones in most other Electrolux businesses. He also considers Electrolux's organisation structure too complex, and responsibilities within it too hard to define.

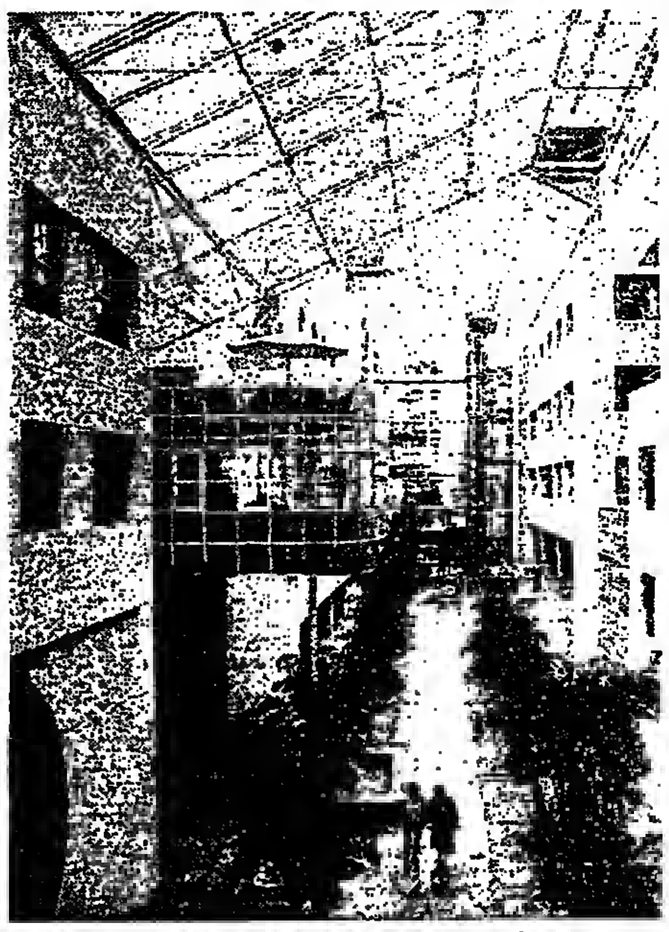
Aronson has not, however, had undue difficulty dealing with pressure from Electrolux's corporate staff for greater influence over Graenges. "I have rejected suggestions from them that I should sit down and discuss our budgets," he says; instead, meetings take place at a lower level and – he stresses – for information only.

"In an increasingly decentralised group the centre has to rely on people, rather than asking for figures all the time," Aronson adds.

As for the acid test of whether there is anything Graenges has been able to do under Electrolux's parentage which would not have been possible under alternative or independent ownership, Aronson's reply – in spite of his praise for the group's influence – is a brief "nothing".

Hans Baeckman, a member of Electrolux's executive committee who is on the board of one of Aronson's aluminium subsidiaries, also sums up the Graenges relationship somewhat starkly with the phrase that "such companies suffer no *disadvantages* from being part of Electrolux." That may seem pretty faint praise, but it is a lot more than can be said for similarly unrelated subsidiaries within many other multinationals.

The product line manager for commercial laundry services, Bertil Ljungquist, argues that the benefits of Electrolux ownership to his business are rather more concrete. Apart from image in the marketplace and access to Electrolux's acquisition expertise, there are



Per-Olof Aronson (top) sees limited parenting benefits for Graenges aluminium business – products include aluminium profiles used in the SAS Stockholm headquarters (right) – but Bertil Ljungquist, co-ordinator of commercial services, is more convinced

several synergies with its cleaning service businesses, especially in the form of common customers. Hence Ljungquist's appointment in February as "business area co-ordinator" for commercial services, covering both these product lines.

Ljungquist's double life as Electrolux's head of senior executive planning (and formerly administration director), does not detract from the force of his endorsement of head office's ability to add considerable value to service businesses such as cleaning and laundry – his view is echoed throughout the group.

This is partly a matter of transferring specific skills, such as the wealth of expertise which can be dispensed by the corporate centre in such tricky management areas as how to digest mergers and acquisitions – in which Electrolux has a far better record than most multinationals.

But it is also a question of its informality and carefully fostered openness, which support its performance culture – what Hans Baeckman calls "its extreme operational orientation and cost-consciousness".

All over Electrolux, in spite of their sensitivity about the youth and inexperience of some of the staff members involved, senior and middle managers cite the particular value of its "group projects". These are centrally co-ordinated programmes with specific targets for the improvement of performance in such areas as quality, inventory control, accounts receivable, information systems and even packaging, distribution and factory damage.

These projects are not just tools for raising standards in each part of the company, "but also for spreading the Electrolux culture," says Baeckman, whose main job is heading two product lines: chain saws and garden appliances. "They not only set signals, but require project teams and activity programmes to be set up" – some of which span product lines. "They avoid my having to sit with company after company, persuading people to improve their performance."

The objectives Anders Scharp sets for these projects are typically ambitious. "He believes strongly in defining very clear, dramatic targets – never a five per cent improvement, but 25 per cent or more," says Johann Bygge, the group controller, who heads "AR/P", the accounts receivable programme. One of its targets is for a 50 per cent cut in overdue accounts.

In a company as large and complicated as Electrolux has become in the past few years, it is remarkable that Scharp's personal influence is still felt so keenly right across and down the group, whether in setting targets for group projects and reviewing their progress in group meetings, or whether out among individual managers on the factory floor in Ohio, Georgia, Italy, Spain, or England.

As the company's growth continues, the question is how long that degree of direct personal influence can be sustained, and whether Electrolux can therefore remain such an effective corporate parent.

Several product line managers, and the executives beneath them, already say they have less frequent contact with Scharp than in the past – or than they would like. Bertil Ljungquist, busy building the commercial service business, has worked closely with Scharp's deputy, Lennart Ribohn, but says he is also "trying to get Anders more interested."

Despite the manifest quality of Anders Scharp's support troops, Electrolux's ability to manage a diverse and complex empire without letting it slide into conglomeracy is still heavily dependent on one charismatic leader.

The same applies to a much better-known company much admired throughout Electrolux: US General Electric, the executive chairman of which, Jack Welch, shares many characteristics with Anders Scharp – from their similar ages (both are in their mid-50s) right down to their informal, incisive style, their high energy levels, and their extraordinary ability to grasp and recall the details of a wide range of different businesses. Replacing either man will be a very tough task indeed.

Earlier articles in this series appeared on June 19, 21, 23 and 26. The conclusion, on Friday, will examine whether Electrolux has yet become a true "transnational", or whether it is still a very Swedish company with a growing set of international colonies.

TECHNOLOGY

On the trail of a simple international language

Mary Follain reports on Policespeak and the potential for computerised translation

In a drive to ensure accurate and speedy communication between English and French frontier police when the Channel Tunnel opens in 1993, Kent Police is doing far more than just teach its officers French.

It has asked Edward Johnson, the Cambridge don who was involved in devising the international languages called Seaspeak and Airspeak, used by deck officers and air pilots, to create a similar simplified language for the police.

In addition to eliminating dangerous misunderstandings in telephone or VHF radio communications, Policespeak could be combined with British Telecom's experimental machine translation system, Linitext, on which Edward Johnson and his team of researchers are also working.

During a demonstration of Linitext at BT's Martlesham Laboratories, the police watched a secretary type a business letter in English on a computer keyboard and saw the French translation appear on the screen as she did so. It seemed like the answer to their prayers.

Once the tunnel opens, travellers to France will pass through French border controls while still in England. For the first time, British police will be working cheek by jowl with a foreign frontier force.

Superintendent David Lambert, chairman of the Kent Police committee looking into frontier control issues raised by the tunnel, warns: "The day we're faced with a Hillsborough or a King's Cross disaster, we will need very close co-operation with the French in the heat of the moment. Doing away with ambiguity and misunderstanding would then be a lifesaver."

Last month, the Cambridge team began a six-month, £50,000 pilot project, funded by Kent County Council and British Telecom.

The researchers are using computers to find the words and phrases which are most commonly used by the police. By September they should have a lexicon and a set of guiding principles on how to write a simplified or restricted police language, stripped of all the ambiguities of both natural language and police jargon.

The second phase could be a further 2½-year, £250,000 project to write Policespeak for the British police, and possibly for foreign forces as well.

It will not be a kind of "franglais", says Mark Garner, one of the Cambridge researchers. "We're not expecting our police to say 'allo allo allo, qu'est-ce que nous avons ici' in a kind of half French, half English Bobbyspeak."

It is hoped that the French police will co-operate with the Cambridge team to help clarify the jargon. Expressions such as "detain that man" would have a set translation in the other language, instead of a bewildering choice of alternatives. The idea would then be to develop two complementary, simplified languages, which would make important reductions in both training costs and communication loads.

Superintendent Lambert believes that the potential for computer communications in a simplified police language combined with machine translation is immense. "Many European countries are already sharing information by consulting each other's databases. Under the Schengen Agreement, Benelux countries will bring down their frontiers in 1990. Their police will need to overcome language barriers between five different states."

He suggests that another spin-off could be clearer forms. "All 43 of our forces in England and Wales design their own forms, often with different meanings for the same word."

The ultimate goal is an international police language.

Johnson, of Wolfson College, is brimming over with suggested applications for the results of research into "operational communications". He defines this as "purpose-built languages not assumed to have currency outside the operations or professional undertakings for which they have evolved."

Seaspeak, used for international maritime VHF communications, was the first operational language created by linguists using computer analysis. The language of aviation, Airspeak, evolved over 40 years of usage by pilots and air traffic control. But dangerous deviations in practice from specifications laid down by the International Civil Aviation Organisation prompted Johnson's collaboration with the ICAO on a tape-based training system, which was published last year.

The team working on Policespeak includes Garner, a grammarian and linguistic analyst attached to Melbourne University, David Matthews, a computer scientist and program writer, and Steve Hicks, a communications analyst who gleans linguistic material from the police.

They are painstakingly analysing 50,000 words of police communications using large sorting programs and computational analysis techniques similar to those used on Seaspeak.

Work begins by laboriously ticking off by hand all the "quantifiable" items (these include such descriptive words as colour, height, width and length) and sticking a $ sign or some other tag beside them. Once in the computer, the researchers can call up all words or expressions marked with a certain tag and list them. These are then standardised so that they are expressed in the same way. Verbs are treated similarly.

Johnson improved on this simple "number-crunching" technique by listing expressions according to communicative function: "An utterance like 'five cables' would have next to it: where it was recorded, the particular maritime operation under way and the speaker's overall purpose in saying it.

"The list of communication purposes gives us the likely content of messages – for example, what a deck officer arranging pilots as he arrives in harbour will need to say. Once the listing is completed, we can start drawing the boundaries of essential English for the operational context concerned," he says.

The imposition of set patterns for commands, questions or warnings increases intelligibility. For instance, "break" is safer than "back in a sec" or "I'm hanging up."

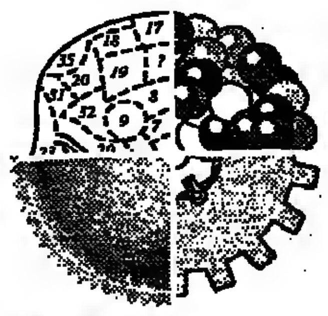
During their research into machine translation for BT, the team found more advanced techniques which enable them to build some grammatical knowledge into the system. When given "bring", for example, it also recognises "was brought" and "will bring."

The reliance of both purpose-built languages and accurate machine translation on restricted language makes them ideal bedfellows. BT's Linitext, intended for business correspondence, will not be on the market until 1995 but Fred Stentiford, head of the Martlesham laboratories, is confident that Policespeak will be easy to plug into a Linitext-style system "and then we're in business for automatic translation with a computer delivered communications system." He also believes it could be combined with limited voice recognition.

Before any of that can happen, BT and the Cambridge team must resolve tough ambiguity problems. Garner explains that given a word like "just", a computer will ask if the meaning is "only" or "recently". But if it keeps interrupting the user, he will lose patience. "To get round that, we can program probability by getting it to look at surrounding words."

He is confident that where there is a restricted, shared language, whether it be in frontier policing, furniture sales or booking travel tickets, the margin for error is almost non-existent. A group 3 facsimile machine could give a hard copy of the translation complete with accents.

To give an idea of the breadth of applications, BT says that a stockbroker is interested in using the system for early morning conferences with his Japanese office.



WORTH WATCHING

Edited by Geoffrey Charlish

Iron test for concrete

IF TINY iron particles are embedded in concrete or other substances, they can be used later to "read" the state of the material, say scientists at Westinghouse, the US engineering group.

The company has applied for a patent on the process, which may for the first time enable scientists to determine whether a pour of concrete was thoroughly mixed and has properly cured, without disturbing it.

The method consists of stimulating the particles with electro-magnetic energy at various frequencies. This makes them produce sound waves and radiated heat, which can be picked up and analysed.

For concrete, the cement would be "tagged" with particles, and it would then be possible to tell whether it had been properly mixed with the sand and gravel.

As the concrete hardens, the measured heat and sound will change and the curing rate, which has an important effect on the material's life, can be monitored.

Inspection of the concrete during its life is greatly simplified since there is no need to take core samples, which give a result only at the sample point. Instead, the new measuring equipment is run over the whole surface.

A similar technique can be used to check for the uniform presence of adhesive in a joint and to help assess its strength.

Revealing more than an X-ray

DU PONT Imaging Systems, of Stevenage in the UK, has developed a system for digitising X-ray photographs and enhancing them electronically.

Called NDT Scan, the equipment is said to reveal more about the X-rayed subject than any other system. It becomes possible to detect microscopic flaws in a material – down to 1.5 thousandths of an inch, says Du Pont.

X-ray films up to 17 in by 14 in can be accommodated on a flat-bed scanner/digitiser and are passed slowly between a straight-line array of fibre optic light sources and a 5,000-element detector array.

In this way, every part of the radiograph is minutely examined. Maximum resolution is 35 microns (millionths of an metre) for a 50 sec scan.

The value of every picture element is digitised and a built-in microprocessor optimises their characteristics for viewing.

Phone charges displayed

A DEVICE which allows telephone charges to be monitored on a small display is available from Saitek Industries in the UK

Charge Checker depends on pulses sent down the telephone line by British Telecom. An initial charge of £17 is made for the pulsing service by BT, which subsequently charges £2.50 a quarter to maintain it.

When a local, national or international call is made, Charge Checker counts the pulses, works out what the call is costing and shows it building up on the liquid crystal display.

In addition, a running total of call costs can be shown and the time at which the phone was last used.

The unit costs about £40 and is supplied with a request card for BT to provide the pulse service.

Jets controlled by voice

MARCONI Defence Systems, of Portsmouth in the UK, has delivered two models of its ASR 1000 airborne speech recogniser to the Royal Aerospace Establishment at Farnborough, where they will undergo further flight trials.

The company believes it is well placed to win contracts for such equipment in the forthcoming European Fighter Aircraft (EFA).

Marconi says that these units are the first continuous speech recognisers with a large vocabulary to be designed for the noisy and busy cockpit of a military jet aircraft. One of the problems the system has to cope with is distortion of the pilot's voice, due to stress and to the effects of "G" forces during tight manoeuvring.

Because of the amount of work the crew members have to do, their hands are sometimes fully occupied and so the only way to get crucial information into the systems is by speech.

The ASR 1000 will allow any activity capable of being computer driven – from changing a radio frequency to firing a weapon – to be controlled directly by voice.

Portable sales terminal

VERIFONE (UK) has launched a portable retail transaction terminal, the Tranz 420, which does not depend on telephone lines.

Instead, it stores transaction data on a semiconductor cartridge, which also contains information such as the types of credit card that can be accepted, up to 3,000 blacklisted card numbers and price lists. Each cartridge can accommodate 200 transactions.

At the end of a day's trading, the cartridges are taken to the user's bank, where details of all the sales transactions are emptied into the main computer and new blacklists and sales data can be loaded.

Tranz 420 is like the point-of-sale terminals found in shops, except that it can be used in places where there is no phone line, for example at individual tables in restaurants, and in taxis, aircraft and car parks.

The user enters the transaction details via a small keypad and the customer's card is passed through a card-reading slot. An integral dot matrix printer produces receipts.

The unit measures 4.6 in by 5.8 in by 11.9 in and runs off a rechargeable battery that lasts for 200 transactions. It costs less than £400.

CONTACTS: Westinghouse: London, 581 4360. Du Pont (UK): 0438 734000. Saitek: London, 731 7596. Marconi: London, 954 2311. VeriFone (UK): 089582 4031.

TELEVISION

Villains, heroes and shades of grey

Two programmes in the past week – each about one of the huge social problems of the world – provided fascinating illustrations of fundamental differences between drama and documentary. The thumping great two-hour opening episode of Channel 4's drama, *Traffik*, hurtled from continent to continent as it established the various theatres of operation in Pakistan, Germany, and Britain, for what is clearly to be a very international story of drug trafficking.

One of the most powerful elements of Simon Moore's script is the absence of easy point-scoring in the ethical sphere. Where Hollywood, with its black hats and white hats, would give us the darkest villains and the brightest heroes, this drama, like many on television, suggests innumerable shades of grey. The Pakistan farmers grow poppies because the alternatives do not give them a living wage. Far from being a hero, the British cabinet minister who discovers his daughter's heroin addiction is accused by his wife of not understanding his own child's life or anxieties. There is a moral ambivalence here which accurately reflects real life.

On the other hand Peter Lee-Wright's 90-minute BBC2 documentary about *Child Slaves* lumped together 8-year-old boys and 10-year-old girls working as prostitutes with 13 and 14-year-old boys in factories as though there were nothing to choose between them, and not a shade of grey anywhere. If there is a ready supply of teenage boys willing to do factory work to support otherwise starving families, and a ready demand for their labour, a Thatcherite believer in market forces might have trouble condemning the process, whatever the rest of us might say.

*

Television documentaries are able to condemn social policies in a root and branch manner (too little money is spent on roads, hospitals, schools, foreign aid, the environment, housing) partly because of their anonymity. Nobody in television has to stand up and take editorial responsibility for programmes which, collectively, demand the impossible.

Television journalism used to be the responsibility of journalists: people such as Ludovic Kennedy, James Mossman, Malcolm Muggeridge, Kenneth Allsop, Trevor Philpott and Robert Kee. These people had clout because theirs were the faces the public saw on screen and, like it or not, the charisma that comes with a famous face brings with it considerable influence. But many producers were unhappy about that. As the full time professionals of the medium, responsible for everything from the budget to the hospitality trolley, they resented the fame and influence of the "front man" whom they often saw as a "performer," waltzing in when the rest of the team had done a week's work, reading someone else's words off the autocue, yet winning all the kudos.

In most cases this bilious image was, of course, utterly inaccurate, but the fact remained that producers were frequently jealous of the presenters. So as the years have passed the balance of power has changed. Today television journalism is producer driven and journalist/reporters are not allowed to acquire the sort of influence they used to have. Feminism has preserved a small corner: Joan Bakewell is clearly a real power on *Heart Of The Matter* and Debbie Thrower actually has her name on *The Thrower Report* (tonight she investigates experiments on animals). But anonymity is now the general rule and we are the poorer for it.

Another member of that original group of television journalists was Robin Day, and here we are saying goodbye to him: after 35 years in television and 10 years as chairman of *Question Time* he is retiring. How good to know that the first thing he will be doing in retirement is to present a special edition of *Question Time* from France. Television is not so flush with good interviewer/chairmen that it can let people such as him go merely because he is 65. Let us hope that, like Frank Sinatra and Dame Nellie Melba, his goodbye appearance becomes a regular event.

It was Frankie Howerd who referred to "Those *cruel* glasses" in the days when he was setting new standards for the challenging political interview. His most admirable quality was his instinct for the journalism of democracy: "I think a lot of people would like to know, Prime Minister . . ." and his barrister's persistence in re-asking the question when his subject evaded the answer.

Bill Patterson in "Traffik"

The most enjoyable moments in *Question Time* have arisen from his wide political knowledge plus his instinct for mischief. In his first farewell performance last week he turned to David Owen and asked – all wide-eyed innocence – "Would you serve under him?" (indicating Michael Heseltine) thus casting Heseltine as a future Prime Minister and Owen as a politician capable of moving not half way but all the way across the House.

Later, in a different discussion, when Heseltine said "Well, I go back to what I was saying before – " Day was down on him like a knife, declaring "In that case we'll have another question." Peter Sissons is an excellent journalist, but he will find Day's a hard act to follow.

*

The most engrossing programme on television in the past week has been *Test Match Special* presented by Johnners and Blowers (Brian Johnston and Henry Blofeld) with Christopher Martin-Jenkins, Neville Oliver, Trevor Bailey and Mike Selvey not forgetting The Bearded Wonder: scorer Bill Frindall. But surely it is on radio 3? Well, yes, but while the Test is running all cricket enthusiasts surely stand their radios on their televisions and use the *TMS* commentary to accompany television's pictures.

It is like eavesdropping on a large family party: "Fiona has written in to ask 'What did the cat say when it swallowed a 10p coin?' I'll tell you after this ball – Jarvis, bowling from the Pavilion End, nice lively run up, they've taken two – it said 'There's money in the kitty.'"

Or "I've had a letter from an old school friend, David Howard from Rumsey in Hampshire, who asks 'What's this new fielding position bat and pad? It sounds like a pub.' Well, I'm sorry it offends you, old thing . . ." And "We'd like to offer birthday wishes to Len Hutton – daresay, he's here at Lord's but perhaps Dorothy's listening . . ."

You do also learn a tremendous amount about cricket. The BBC has promised to retain *TMS* even after two of its wavelengths are taken away to be given to commercial radio. It had better.

*

What a valuable example *10 x 10* is proving to be. The first group of 10-minute films, commissioned by David Pearson at BBC Bristol, were made by film school students, and the second, which started on BBC2 last Thursday (but now seems to have disappeared off the face of the earth) were made by people in technical grades within the BBC: dubbing mixers, researchers, and so on.

In the first of this new series, "The Last Haircut," assistant film editor John Strickland watched a barber named Ken Abbott as he plied the last day of his trade. Abbott seems to model himself on A.A. Milne's Eeyore: "Everyone's to a hurry today. They bring their telephones in here with them, they bring their bleepers. They feed their children while they're here." And, to a customer who will have to find a new hairdresser "There's a nice bit of stuff down the road in one of them unisex places – nice little bosom stickin' in 'yer ear 'ole." Of his own prospects he remarked "Jesus Christ had long hair and a beard so there's not much chance of barbers going to heaven."

Other programmes to come in this series include an analysis of the significance of Dr Martens boots, and a record of the men who paste up the advertisements on the far side of the tube train rails – "Bill Stickers Is Innocent." The whole series is heartening not only because the individual programmes are often so interesting but because the exercise proves that you do not have to hubble-pack programmes in half-hours or hours: 10 minutes can be plenty of time to make a point very sharply.

*

It has, of course, been an unusually warm June, but that may not be quite enough to avoid anxiety among broadcasters at the revelation in this week's BARB figures that average viewing per head of the population during the week ending June 18 was the lowest for five years: 19 hours 39 minutes.

Christopher Dunkley

Marie McLaughlin and Carol Vaness

Le nozze di Figaro

COVENT GARDEN

For his much-praised 1987 production, revived on Monday, Johannes Schaaf took a long, hard look at Mozart's opera. Though the carefully explicit result is gripping, it is not an unalloyed joy. Not (judging by others' reports) so frigid as his Royal Opera *Così*, nor positively curdled like his Salzburg *Seraglio*; but sullenly bent upon rejecting illusions, even when they are Mozart's fantasies of happiness or healing comedy. The strong, experienced cast Bernard Haitink conducts is much the same as before – but the house underestimated the running-time by a good quarter of an hour, which suggests some alteration since last time.

It could scarcely be in Haitink's tempi, which were irrepressibly brisk: indeed, the "Aprite, presto" duet flew to pieces. Among the exceptions was the Countess's "Porgi amor," where the lugubrious pace would surely have puzzled Mozart, and the excellent Carol Vaness was less flattered than taxed by the consequent demands on her legato. (Since Schaaf has her deliver it between discouraged swigs from a bottle, that might pass for appropriate.) Probably the difference was made by the recitatives, and still more the pauses-for-mugging in the recitatives, relentlessly stretched to accommodate all the "psychological detail" for which Mozart's arias and ensembles apparently make too little room.

The effect is to tilt the balance between musical and non-musical acting-out away from *opera buffa* and toward semi-serious operetta. The Schaaf contribution competes with da Ponte's and even Mozart's. Founded in a selective approach to the text, not perverse or arbitrary (nor "political" either), it dispirits by taking the darkest moments of the volatile main characters to show what each of them "really" is: here a permanent chip on the shoulder, there a settled disillusionment. Nobody is redeemed; throughout the first act nobody even smiles – except Don Basilio, and he of course cynically.

To be fair, Schaaf allows some elevated gravity to the dénouement. Still, the difference between Marie McLaughlin's new, fretful Susanna and her radiant, vivacious Salzburg creature of two years ago – pre-Schaaf – is instructive. A properly limpid "Deh vieni" would make no sense from the current *persona*, so she laces it with artful scoops and swerves. As for Figaro himself, Claudio Desderi's famous suppressed rage has made greater impact amidst more cheerful colleagues, though it retains a sharp edge. (If the black intensity of his "Aprite un po'" seemed a shade greyer, it was perhaps merely dampened by a cold – his lower register sounded thin all evening.) The Count is again Thomas Allen, who would seem invincibly decent even as Melot or Alberich.

Stella Kliendienst's Cherubino remains a nervy, engaging adolescent, and there are bright sketches of Barbarina and the Notary by Judith Howarth and Alexander Oliver. The kindliest portrayals are out on the margins: Richard Van Allen's gentlemanly Don Bartolo and Sarah Walker's twinkling Marcellina, both enhanced by the inclusion of their last-act arias – but at the usual net cost to the dramatic action. (Mozart must have produced those favours for his lesser principals through gritted teeth.)

Neither Schaaf nor his lighting designer Robert Bryan try for the least verisimilitude, by the by, in the midnight ruses and disguises of that act: after the truculent naturalism earlier, we have to adjust abruptly to another convention. Xenia Hauser's set places all the action in partitioned sectors under one huge baroque cupola, a whimsically gross décor like no town-house in Seville or anywhere else. None of which is to say that this *Figaro* isn't tough, intelligent, mostly consistent and intermittently moving; only that its wilfully sour air isn't the climate in which Mozart's translucent inspirations flourish best.

David Murray

BOOK REVIEW

A clear portrait of Walton

Behind the façade, Susana Walton's memoir of her husband, published two years ago was naturally more deeply concerned with the years of their marriage (over half of Walton's adult life) than the pre-war years when the fame of the lanky white hope of British music was spectacularly won. Michael Kennedy's *Portrait of Walton* (Oxford University Press, £17.50) sets the balance right. Since Kennedy is a musical biographer of well-proven ability, he avoids the opposite temptation of damning all the post-war music with faint praise.

For those who were not about at the time, it must be hard to realise how exciting and heartening were the viola concerto, *Belshazzar's Feast* and the first symphony (*Façade* made its full impact on the public at large some time later) when they were new. Not only sxciting hnt immensely satisfying. At a time when the ageing Elgar was fading from view, Walton's handful gave English music a transforming lease of life. One could bask in this and feel proud without shutting one's ears to much more radical things happening abroad, still less subscribing to such soppy jingoism as Kennedy quotes from a letter of John Ireland's to Walton about the symphony: "It has established you as the most vital and original genius in Europe. No-one but a bloody fool could fail to see this . . ." Fortunately the hard-headed, sceptical Northerner Walton remained in spite of his successful escape from his native Oldham was not one to believe such nonsense.

It was in these years that the deep, pervasive love of the Sonth began to flower that later beckoned Walton to live in Italy. It was the Sitwells who brought this to the surface yet the mystery remains as to where, in those sober Lancastrian origins, the affinity came from. It wasn't entirely for the good. Verdi and his successors hung like a dangerous mirage over the slow, painful genesis – documented here in some detail – of the opera *Troilus and Cressida* which should have but alas failed to crown the long affair with Mediterranean culture.

Christopher Hassall's libretto for *Troilus* has been scolded for the supposed influence of Ivor Novello with whom Hassall had worked. But a dose of the theatrical professionalism required for musical comedy is exactly what English opera at that time lacked. Surely the malign if unintentional influence on that "wine-dark" verse was Hassall's friend Sir Edward Marsh, editor of Rupert Brooke and the *Georgian Poetry* volumes. Brooke, I suspect, is more to blame than the harmless Novello. One can't help wondering, if Walton's friend Constant Lambert hadn't died half-way through the composition of *Troilus*, whether his keen judgement and observant wit might not have sprinkled useful astringent on the early stages of the opera.

Kennedy quotes some words by Desmond Shawe-Taylor about Walton's music: "so energetic, often so lyrical, always so beautifully made; and yet so limited in emotional scope and variety," stressing the danger of hasty judgements on the lines of "the mixture as before" that call out for later adjustment. These limitations are of greater importance than whether or not it is permissible for a leading composer to write like Walton in the age of Boulez and Stockhausen. Meanwhile, though one notices that while some of the later works (for instance the cello concerto and the second symphony) seem to be gaining ground, many scores in which Kennedy's lively descriptions re-awaken one's interest lie slumbering.

This "Portrait" gives as clear a picture as we are likely to have for the time being of a most attractive if finally baffling man. It captures the flavour of a dry, unsentimental yet inwardly warm personality. A composer's musical likes and dislikes may be revealing about the man himself – they are less often revealing about the other composers and their music. Walton's friendship and esteem for Hindemith, Britten and Henze are well attested. He drew something of a blank with Tippett's music. He did not get on with the later Stravinsky and he was wary of Strauss – perhaps because they had certain things in common? yet his curiosity about contemporary music was endless. The mail-bags to Ischia must have bulged with the scores and records Walton sent for to study. Few of them deflected him from the narrow, scrupulously tended path he chose for himself.

Ronald Crichton

Gregynog Festival

GREGYNOG

The first music I heard at Gregynog was the sound of the choir in rehearsal drifting across the gardens as I sat on the steps of the summerhouse by the lily pond on my first evening – an idyllic start to a stay in this most beautiful area of Wales, around Newtown.

From the nearby hills one can survey the full extent of the grounds. This substantial estate, with its extraordinary mock-Tudor, late Victorian country house, was left to the University of Wales in the 1960s and has had regular use since then as a residential educational centre. Then last year came the idea of holding a week-long music festival there, under the guidance of the tenor, Anthony Rolfe Johnson.

The experiment was a sufficient success for a second to be arranged and the 1989 Gregynog Festival opened on Sunday afternoon with a performance of Bach's *St Matthew Passion*. The music room at the house is not large and I was told the seats for this opening event could have been sold three times over, a sign that local people have taken the festival to their hearts after their first taste of it last year.

With a choir of 20 and a small orchestra of period instruments, the scale was not at all overbearing. Although there was some comment about the speeds, this was in fact a relaxed unfolding of the great score, as far as the period style of performing Bach allows these days, the players always having time to feel and breathe their music under the direction of Rolfe Johnson, who doubled as both conductor and Evangelist.

The choral singing was adequate; ths soloists rather more than that. Rolfe Johnson's Evangelist, finding lovely lines to sing where so many are prosaic, is a known quantity from records. The unexpected delight of the performance, at least for those of us who missed the "Cardiff Singer of the World" competition, was the young Welsh bass Bryn Terfel as Jesus, proudly rolling forth a voice of a size and technical sorety that are little short of astonishing in one so young.

With Catherine Denley the alto and Stephen Roberts the bass, there was a solo quartet of experience. John Mark Ainsley brought beautifully-produced tone to the tenor part and the soprano arias were phrased with distinction by Lorna Anderson, despite some perilous playing from the oboes. After what the period wind did to "Aus Liebe will mein Heiland sterben" I had some sympathy for the lady in front, who leant across and commented drily to her friend, "Funny orchestra."

That is certainly an area for Gregynog to work on before next year. What they already have is singing of an exceptional quality for a festival this size and an unrivalled setting, where music can be absorbed and enjoyed to its most rewarding level.

Richard Fairman

ARTS GUIDE

June 23-29

THEATRE

London

The Merchant of Venice (Phoenix). Dustin Hoffman's Shylock a sympathetic, semaphore-gesturing alien in Peter Hall's fine Venetian Renaissance production. Geraldine James a superb Portia (836 2294).

Much Ado About Nothing (Strand). Alan Bates and Felicity Kendal lead strong ad hoc company in turnabout fortnightly rep with Chekhov's early, astringent Ivanov. Not to be despised (836 2660).

As You Like It (Old Vic). Yet more non-RSC Shakespeare, with an outstanding Rosalind from Fiona Shaw in eclectic, enjoyable Tim Albery revival. Ambitious designs (928 7616, cc 261 1821).

The Black Prince (Aldwych). Ian McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her own Hamlet novel. Witty black farce, vitriolic and entertaining (836 6404).

Single Spies (Queen's). The highlight of Alan Bennett's double bill is a comic confrontation between Prunella Scales as Her Majesty the Queen and Bennett himself as Anthony Blunt in the royal picture gallery. Clive Francis plays Guy Burgess in a rehash of Bennett's fine TV film *An Englishman Abroad* (734 1166).

Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected (834 1317, cc 836 2428).

The Vortex (Garrick). Maria Aitken and Rupert Everett in brilliant reappraisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and mother fixation. Mannered, excessive, beautifully costumed. A must for yuppies (379 6107, cc 741 9999).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest derived from David Garnett's 1955 novella. Well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

Hamburg

The World's Theatre. The international festival to July 9 will take place in Hamburg, as part of the town's 800th anniversary of its harbour. Organised by the Thalia Theatre with the help of the InternationalTheatre Institut, some 34 pieces from 17 countries will be performed, among them East Germany, the Soviet Union, Sweden, South Africa, France, the USA , Britain, Germany and Italy. The idea for the festival came from former theatre director Ivan Nagel, who formed the Theatre of Nations in 1979. Richard von Weizsäcker, West German President, is chairman of this year's festival.

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Shirley Valentine (Booth). Pauline Collins brings her West End triumph to Broadway in Willy Russell's amusing and touching story of a Liverpool woman's awakening in the Aegean Sea. Simon Callow again directs without smoothing any of the Northern English edges that retain an authentic touch.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson'a gilded sets, Phantom rocks with Andrew Lloyd Webber's heunting melodies in this mega-transfer from London (239 6200).

Washington

Into the Woods (Kennedy Center Opera House). Stepheo Sondheim and James Lapine update favourite fairy tales with a contemporary plot and characteristically challenging songs. Ends July 16 (254 3770).

Chicago

A Funny Thing Happened on the Way to the Forum (Goodman). Stephen Sondheim's most popular musical, for which he wrote both music and lyrics, stars Louis DiCrescennzo as Pseudolus in Burt Shevelove and Larry Gelbart's adaptation of Plautus. Ends Aug 6.

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Les Miserables (Auditorium). The international spectacle has settled in for a long stay by the Great Lakes (922 2110).

Tokyo

Les Miserables. (Imperial Theatre) Strongly-cast revival (in Japanese) of the stirring musical of the storming of the Paris barricades (201 7777).

Jesus Christ Superstar. Japonesque. Aoyama Theatre (0120 489444). Revival of successful Kabuki-style production of Andrew Lloyd Webber's first hit musical (in Japanese).

SALEROOM

Derain makes £6m

At Christie's Impressionist and modern sale in London on Monday evening the emphasis was squarely on the modern. André Derain'e vibrant harbour scene of Collioure, the birthplace of Fauvism, far exceeded expectations by selling to New York dealers Acquavella for a record £6,160,000. It is one of the finest Fauve paintings to come onto the market in recent years.

The intense light of the Midi proved the catalyst for Derain'e hot, raw colour, "charges of dynamite" discharging light, painted in direct fractured brushstrokes on a brilliant white ground. The work is typical of the group of Collioure canvases which caused such outrage at the Salon des Indépendents in Paris in 1905.

A small, late Renoir bather wiping her feet, formidably huilt and modelled in rich Venetian colour, also sold for double its estimate. The canvas went to an anonymous bidder for £4,620,000. The two other star turns sold on target: Japanese dealer Aska International who featured prominently in the eale paid £3,850,000 for Monet's painting of his wife and son in the garden at Argenteuil, and German dealer Wolfgang Wittrock secured Mondrian's much admired pure abstract "Composition C with red and grey" for £3,190,000.

Success eluded the sale's major Foujita of a young woman having her palm read, estimated at over a million. The middle-ground pictures, the bulk of the sale, fared extremely well. A breakdown of the buyers reveals the importance of these secondary London sales for the European – and Japanese – trade. Of the 86 per cent sold, 12 per cent went to America, 34 per cent to Japan, and 42 per cent to European trade. The auction totalled £33,715,000.

The trade was again in full force with full pockets at yesterday's Impressionist and modern drawing sale. Top lot was another post-bath nude, a watercolour and gousche by Bonnard, which made £352,000. Swiss trade secured Chagall's gouache and watercolour "Le Vent dans les Fleurs an Clair de Lune" st £253,000. The sale totalled £3,959,650, with 23 per cent unsold.

Susan Moore

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Compromise in Madrid

AS THE EUROPEAN Community's squeakiest wheel, Mrs Thatcher has once again received plenty of grease. But she has also learned that a mere wheel, however squeaky, cannot halt forward momentum on which the driver is truly determined.

At the Summit of European Comunity heads of government in Madrid, Mrs Thatcher managed at most to slow progress towards the goal of economic and monetary union that she dislikes so much. She can halt it altogether only by winning an intellectual victory against her opponents, but on this she failed. She is likely to go on failing, unless she changes her aim from that of thwarting the principle of European Monetary Union (Emu) to that of modifying its more objectionable features.

Though evolution towards Emu will continue, it may prove quite slow. These are the key conclusions to be drawn from the summit. The first stage of the movement towards Emu, as defined by the Delors Committee, is to begin on July 1 1990, but no terminal date has been set. There is no explicit commitment to proceed to the subsequent two stages.

As Mrs Thatcher herself conceded, she could not have prevented the decision to carry out the preparatory work for the organisation of an intergovernmental conference on subsequent stages. The conference itself will not meet before the first stage has begun and must be preceded by "complete and adequate preparation." The conclusions of such a conference will also have to be adopted unanimously, unless the other members of the EC are prepared to agree to a new treaty outside the framework of the Treaty of Rome. All this gives the UK some influence over the precise destination and route of the EC's journey to Emu, if not over its general direction.

Two conditions

The first stage could prove to be protracted. There are two conditions for its successful completion: the survival of the European Monetary System after abolition of exchange controls, and the incorporation of all currencies, particularly sterling, in the system's exchange rate mechanism (Erm). Cunningly, Mrs Thatcher has linked the two. Her key conditions for sterling's entry, apart from a sharp fall in the rate of inflation, include the completion of the single market in its aspects (including a free market in financial services) and the abolition of all exchange controls. Given the timetable for abolition of exchange controls in Portugal and Greece, this formulation might well permit Mrs Thatcher to keep sterling out for another five years.

Thus the first stage could easily last until the mid-1990s. Some of Mrs Thatcher's advisers expect that the EMS will have collapsed before that date, making all subsequent stages moot. They are likely to be disappointed. But should those keen to see progress towards Emu also be disappointed by the compromises in Madrid?

Accepted principle

The answer is no, for three reasons. First, the principle of movement towards Emu has now been accepted. Second, the first stage will, itself, prove difficult and complex. In particular, it demands successful convergence between major currencies – the French franc and the lira – that have long been in the Erm, but have been bolstered by exchange controls, and another currency – sterling – that has been outside the Erm, but has not been protected by exchange controls for a decade. Finally, the views of the Delors report on how the second and third stages might proceed – notably on fiscal policy – are themselves flawed. They should not be adopted before much further discussion, discussion that a carefully prepared inter-governmental conference would ensure.

The battlefront now moves to the UK itself. Mrs Thatcher may have kept sterling outside the Erm until after the next election, but the price may prove to be defeat in her own domestic economic war. With the credibility of government policy under searching examination in financial markets, the price of this "victory" may well prove to be a deeper recession or higher inflation than necessary. The wheel may have received plenty of grease in Madrid, but it could yet break completely under the present strains.

Getting up with the larks

YESTERDAY'S green paper on summer time is designed to broaden the public debate on whether the UK should set its clocks to longer summer evenings and darker winter mornings. It is guaranteed to arouse the deepest of emotions. Scottish MPs carried the House of Commons in a free vote in 1970 to end the last experiment with dark winter mornings. Accidents to school children, attacks on postmen, seriously disturbed cows: these and other problems were all blamed on British Standard Time, an experiment which ran for three years until 1971 and extended snmmer time throughout the year. Many of these arguments have since been proved spurious and the green paper puts forward a convincing argument for change.

The Home Office has investigated the case for reform with some enthusiasm since it was approached last year by Dr Mayer Hillman who carried ont a study for the Policy Studies Institute. Be concluded that most people in the UK would be far better off under an arrangement which would hark back to the daylight saving system of the war years.

The argument is that the UK should come into line on time changes with most of the rest of Europe, which at present is one hour ahead for 11 months of the year. This would mean staying with British Summer Time (GMT + 1 hour) during the winter and adopting donble summer time (GMT + 2) between the end of March and the end of September.

European directive

Dr Hillman's approach was opportune since the Home Office was faced with a European directive urging harmonisation with the rest of the Community on the date on which clocks should change at the end of summer. The EC changes its clocks at the end of September whereas the UK moves at the end of October.

The PSI study argued convincingly that trade between the UK and the rest of Europe would be greatly eased by time harmonisstion. It also calculated that longer evenings would earn the leisure industry an extra £150m a year and could boost earnings from tourism by an annual £600m, by extending the tourist season.

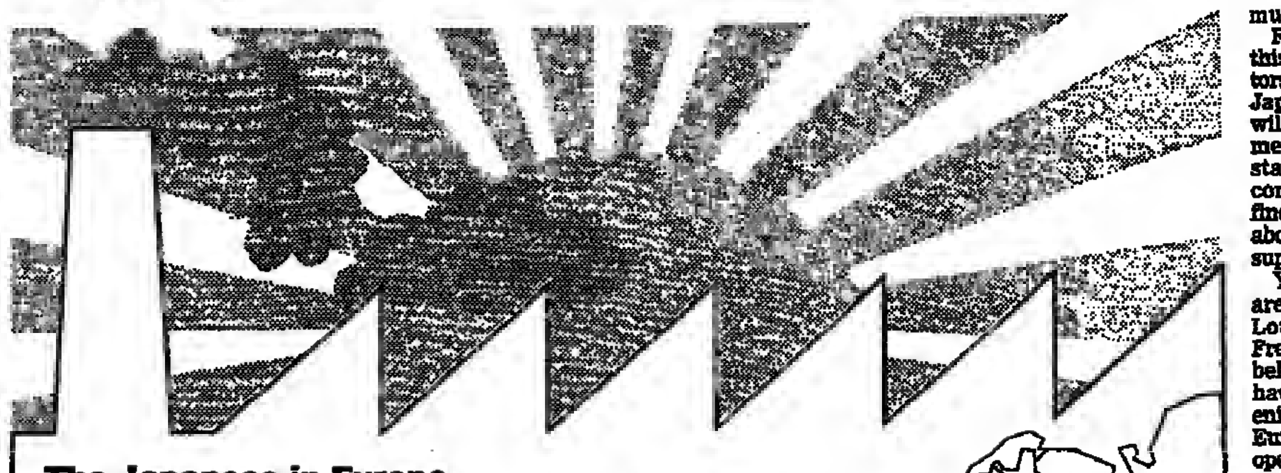
Before the study, no one had seriously challenged the impassioned arguments in the last debate which dwelt on road deaths among children on their way to school in the dark mornings. Dr Hillman studied the accident statistics for 1968-71, the duration of the experiment, and found that the fall of 3,600 accidents a year in the evenings ontweighed tha increase of 900 in the mornings. Strikingly, the percentage reduction in Scotland was more than donbla tbat in England and Wales. His findings have been borne out by a Transport and Road Research Laboratory study which shows that if single/double summer time had been operating in 1985, it would have reduced road deaths by about 159.

Fluorescent armbands

The evidence is persuasive, but it will not easily win the day. Common-sense arguments can be difficult to sustain against an MP armed with the single tragedy of a young life destroyed while crossing the road in the dark. Many can remember struggling to work or school in darkness, wearing reflective flnorescent armbands. People in the Western Isles were so miserable that they threatened to declare UDI.

The construction industry, backed by the farmers, mobilised a powerful lobby against change last time, and together they have warned they will do so again. Bills to bring in summer time were continually thrown out in the early 1900s after now-familiar resistance from farmers, until the need for daylight saving in ths Great War prompted the Summer Time Act of 1916. It proved very popular.

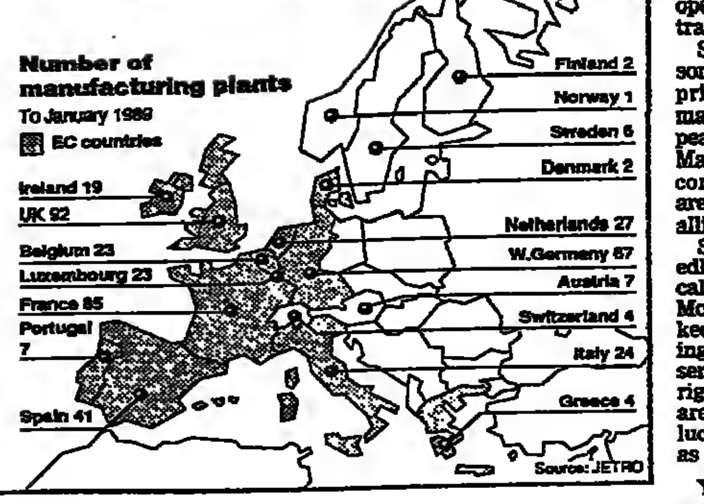
Legislation that would upset the Scots would be a bold step and Home Office ministers were keeping their heads down yesterday. Parliament in this case, bowever, should be swayed less by passion and more by the power of well reasoned argument.



The Japanese in Europe

Total investment

$ million	Year to March 1988	Year to March 1989	Cumulative total 1951–89
UK	2,473	3,956	10,554
Netherlands	829	2,359	5,525
Luxembourg	1,764	657	4,729
W.Germany	403	409	2,364
France	330	463	1,764
Switzerland	224	454	1,432
Spain	283	181	1,045
Belgium	70	164	1,027
Ireland	58	42	432
Italy	59	108	370



Guy de Jonquières reports on the reaction of EC countries to Japan's increasing determination to invest in Europe

The new kid on the block

As the European Community's planned single market – and worries about being locked out of it – prompt growing numbers of Japanese industrial companies to acquire production bases inside its frontiers, the EC is starting, for the first time, to ponder seriously the consequences of this new presence in its midst.

Officially, the Community welcomes such investments because it hopes they will offset its bilateral trade deficit, which rose to $34.2bn last year. It has also prodded these investments along by limiting many types of Japanese exports and by its vigorous use of anti-dumping actions, which have obliged Japanese industry to step up local production.

Yet the growing Japanese presence evokes much ambivalence both in the European Commission and among governments. As one senior Brussels official puts it, the challenge is to achieve a balancing act: to capture the capital, technology, jobs and competitive stimulus which the Japanese can contribute, without precipitating a stampede which would severely disrupt European industries and markets.

Some observers believe such equivocal attitudes may spell trouble ahead. Mr Muneoki Date, Japan's ambassador to the EC, fears the role of Japanese companies based in Europe will increasingly give rise to strains on bilateral relations. "Investment friction will become the problem of the future," he says.

On the face of it, such concerns might seem a shade premature. Europe accounts for only 16 per cent of Japan's total direct investment worldwide, against 42 per cent for the US. Even in Britain, by far the most popular location in the EC, Japan's share of all foreign investment to date is well below 5 per cent, and only a fraction of it is in manufacturing.

Two factors, however, give high visibility to the Japanese influx. One is that much of it is concentrated in "sensitive" sectors, notably electronics and cars, where Japan already enjoys immense competitive strengths. The second is that it is growing rapidly: the Japan External Trade Organisation says the number of Japanese companies with production bases in Europe has more than doubled since 1983 to reach 411 last January.

Since then, several big projects have been announced, notably Toyota's planned £700m car factory in Derby and Fujitsu's £400m microchip plant in County Durham. Much more is expected to follow. "The amount still in the pipeline is absolutely huge," says Mr David Waterstone, head of the Welsh Development Agency, which has attracted many Japanese companies to Wales.

How far such investments benefit EC economies is still fiercely debated. Few elsewhere in Europe believe as fervently as Mrs Thatcher in their regenerative economic properties, and many argue that they risk squeezing out existing producers, rather than adding to the industrial base. Japanese companies are also widely criticised for not doing enough research and development in Europe. Yet on one point an increasingly broad consensus is emerging: that they are becoming economically too important to be ignored.

This realisation has been underlined by recent shifts of attitude in France and Italy. In the past, both countries have resisted Japanese penetration of their national markets and have condemned the UK's glad-handing approach towards Japanese plants as a "Trojan horse" policy which was threatening European industry from within.

Now the French Government is launching a campaign to persuade more Japanese companies to set up there, while Italy is attempting to barter a reduction in its battery of restrictions on Japan's exports for more of their direct investments. "To strengthen EC-Japanese co-operation, we have to favour Japanese joint ventures and investments," says Mr Renato Ruggiero, Italy's Foreign Trade Minister.

This new pragmatism is due less to enthusiasm than to necessity. The turning point came last April when France was obliged to abandon its unilateral effort to block imports of Nissan cars assembled in the UK. It had claimed the vehicles lacked sufficient local content to qualify as EC products and should therefore count against its national import quotas on Japanese cars – an argument rejected by the European Commission as lacking any basis in law.

It quickly dawned on officials in Paris that they risked ending up with the worst of all worlds. If France was going to have to open its frontiers to goods made by Japanese companies elsewhere in Europe, it was pointless to frighten away the factories which produced them. Mr Roger Fauroux, the French Industry Minister, admits: "Britain has a formidable public relations lady in Mrs Thatcher, while we have a reputation as protectionist, nationalistic and not welcoming foreigners."

How far prospective Japanese investors will be convinced that things really hava changed remains to be seen. For whils France and Italy may be adopting a softer tone at bome, in Brussels they are continuing to press the rest of tha EC to drive a hard hargain with the Jspanesa ovar investment and trade – a position broadly shared hy most other southern European countries.

Ranged against them is a group of northern European governments, particularly Britain, West Germany and the Netherlands, which favour a more dove-like approach. Given these internal divisions, and the complexity of many of the policy issues involved, it is hardly surprising that the signals emerging from Brussels point in more than one direction.

On the one hand, there is some evidence of a less confrontational line towards Japan on a number of trade issues. The Commission has defused a potentially explosive row over its proposals on banking reciprocity. There has also been a lull so far this year in its anti-dumping actions against Japanese imports, though it is still unclear how far this reflects a conscious policy decision and how long it will last.

Doubts persist as to whether Japanese companies can be counted on to play the game by local rules

Furthermore, tha liberals have made most of the running so far in Brussels' efforts to formulate proposals for dealing with Japanese cars after 1992. Mr Martin Bangemann, the Industry Commissioner, is strongly resisting demands for formal EC quotas on Japanese car imports to replace national curbs. He is also ruling out, for both legal and technical reasons, EC mandatory local content requirements on Japanese assembly plants.

Yet, at the same time, the Commission is toughening its stand on local production by Japanese companies of other types of product. It has begun tightening local content standards for a variety of electronics items of which Japan is a leading supplier, including photocopiers, video recorders (VCRs), computer printers and the semiconductors they contain.

The Commission claims the rules need to be rewritten because they are out of date and to ensure that its anti-dumping policy is enforced effectively. It argues that, without a precise definition of EC origin, companies can evade dumping duties by shipping dumped products assembled from imported components in low-cost "screwdriver" plants based in the Community or third countries.

Some of those affected suspect the EC of manipulating the regulations to its own advantage. "The Commission says it is simply engaged in an administrative procedure. But there is a perception, especially among companies outside the Community, that local content and rules of origin are being used as instruments of trade policy," says Mr Robin Griffiths, a lawyer who has defended a number of Japanese companies against dumping charges.

What particularly disconcerts Japanese companies is that rules for individual products vary widely, and that the institutional process for deciding them is both opaque and unpredictable. As a consequence, they complain, their business planning is made much more complicated.

Few tears are likely to be shed on this score by their European competitors, some of which evidently hope Japanese companies' EC expansion will be slowed down if they have to meet more stringent local content standards. The frequent Japanese complaints about the problems of finding reliable European suppliers, above all in Britain, would seem to support this view.

Yet, in various ways, these hurdles are being surmounted. Mrs Marie-Louise Bougeneaux of Datar, the French regional development agency, believes many Japanese companies have decided to concentrate on deepening their existing investments in Europe, either by transferring more operations from Japan or by bringing traditional suppliers with them.

Some companies, such as Seiko-Epson, a leading personal computer and printer maker, are also talking of making friendly takeovers of European parts suppliers; others, such as Matsushita Electric, Japan's largest consumer electronics manufacturer, are emphasising joint ventures and alliances with European partners.

Such arrangements are undoubtedly often inspired as much by political motives as by commercial logic. Most large Japanese companies are keen to minimise the risk of attracting scrutiny from Brussels. They also sense that they need to keep on the right side of EC governments if they are ever to win a worthwhile share of lucrative public sector markets such as telecommunications.

Yet, serious doubts still persist in much of Europe as to whether, when it comes to the crunch, Japanese companies can be counted on to play the game by local rules. Anxieties are particularly acute in advanced electronics, an area where many policymakers believe Europe must preserve an autonomous capacity if it is to retain control of its industrial future.

Mr Filippo Pandolfi, the EC Research Commissioner, says Europe should be open to the Japanese but needs to exercise political wisdom. "This is not a one-way playing field, where there are only the aggressors and the attacked," he says, adding that Japanese still find it difficult not to take markets by storm.

Inevitably, judgments on where normal competition ends and aggression begins are somewhat subjective. But in some sectors the rapid growth of Japanese branch plants in response to EC import restrictions appears to pose a threat of just the kind of over-production and cut-throat competition which some in Europe fear.

For instance, there are 14 Japanese computer plants in Europe. Yet Cores, a Japanese-owned market research firm, estimates that planned output at the seven plants in Britain alone will be enough to meet demand in the whole of Europe. A price war looks likely unless substantial non-EC export markets can be developed or some of the plants' capacity is switched to other types of products.

In the automotive sector, the likelihood of some form of transitional restraints on Japanese sales after 1992 makes a similar scenario less likely, though fiercer competition leading to an eventual shake-out among European producers is expected.

Mr Hans Glatz, EC Representative of the Liaison Committee of the EC Automobile Industry, believes a battle will develop in the mid-1990s, unleashed by output increases by European manufacturers eager to reduce unit costs and expand market share before the market is opened fully to the Japanese.

"There will be a restructuring of the European industry, and Japanese companies will he on the spot to participate in it," he says. Much may then depend on whether the Japanese are viewed as predators picking over the bones of their European rivals, or as white knights galloping to the rescue.

OBSERVER

Soft side of Japan

■ Until recently the great foreign publishing success story in Japan was the autobiography of Lee Iacocca, the American automobile executive. It sold around 450,000 copies.

That record has now been shattered. A book called Letters of a Businessman to his Son by the Canadian, G. Kingsley Ward, has sold over 1m. Moreover, Ward is well on the way to doing it again. His Letters of a Businessman to his Daughter has just come out in Japanese and has sold 300,000 almost at once.

Ward was in London yesterday for another book. Along with Major Edwin Gibson he has written a guide to and history of the Commonwealth war graves. It was suitably launched at the Imperial War Museum. The condition of some of the graves which he has been visiting, he says, is "shocking."

But there is more to Ward than books. Originally a chartered accountant with Price Waterhouse, he is a businessman in his own right. "I own about eight companies," ha says, "mostly in health care," though one of them distributes pleasure boats. Now 57, he started writing because he twice had open heart surgery when he was relatively young and thought that he might not have long to live. So he wrote letters to his son – about school (Ward does not think much of private education), about business and entrepreneurship. One letter is about how to fire someone without creating too mnch bad hlood. It was his wife who said that they sbould be published.

Why have they been such a hit in Japan? Ward says that perhaps the time was right. The Japanese are talking more about care and the need for family life rather than incessant work. Japanese women tended to buy the book for their husbands or fathers and leave it by their bedsides.

The letters to his daughter, who is in business with him in Canada, are softer in tone. "You approach your son more like a football player and your daughter more like a piece of china," Ward says. But they do go into matters like male chauvinism, which could also be a ripe subject for Japan.

Russell Meiggs

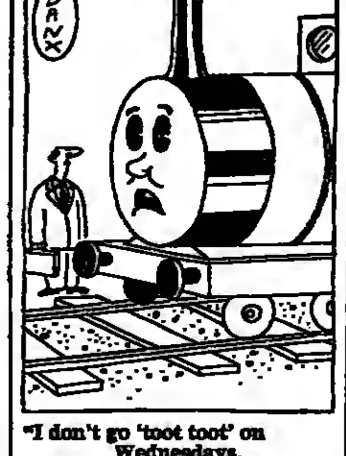
■ Russell Meiggs was as much a bouse master as a Balliol don and scholar. But it is not true that with his strange hair and Aztec looks – almost Meiggsican – he was solely steeped in the ancieot world. In the first days of space travel his daughter won a prize from the Daily Express which was a visit for two to the American space facilities. Meiggs went with ber and became an expert. Very many people will miss him now that he has died at the age of 86.

Picking winners

■ Margaret Thatcher has had a good record of picking out future leaders ever since she spotted an aspiring Mikhail Gorbachev. She seems also to have given her blessing to F. W. de Klerk as a future leader of South Africa.

She and her advisers, however, have been faced with an interesting dilemma about Brazil. Is Fernando Collor de Mello, the Brazilian presidential hopeful, going to be the "kind of man one can do business with"?

In less than four months, 39-year-old Collor has risen from the relative obscurity of being a former governor of the tiny north-eastern state of Alagoas to ride a seemingly unstoppable wave of populism. He plays on an image of Mr Clean and is promising a new broom in Brazilian politics. His policies are vaguely centre-right and he is presently well ahead of the other 10 presidential candidates.



"I don't go 'toot toot' on Wednesdays.

Collor is currently on a European tour to gain international credentials. Before leaving Brazil, he put it about that he would like to be received at Number 10 Downing Street. Since the Brazilian elections are not due until November, doubts have been raised both inside and outside the country whether the Collor phenomenon can last the course. There are a few skeletons in his cupboard, especially his support early on in his political career for the right-wing politician, Paulo Maluf.

Mrs Thatcher has taken the plunge. She has invited Collor to see her next week. Collor's people are delighted by this apparent seal of approval. But there is a cautionary note – the last presidential hopeful the Prime Minister met was Mario Vargas Llosa, the Peruvian novelist. He has just withdrawn his candidature.

Potter's move

■ David Potter of the Midland Bank has always been a rather unusual specimen in the City of London – a man who straddles the culturally different worlds of commercial and investment banking with apparent ease.

An investment banker by background (12 years at Credit Suisse First Boston), he came to Midland through Samuel Montagu, its merchant bank, and for the last three years has had the job of pulling together the group's commercial and investment banking services for corporate clients. Gregarious by nature, a touch corpulent, he is the type who thrives on personal contacts.

At the age of 44, Potter intends to straddle in a new direction. He announced yesterday that he is leaving Midland to set up his own consultancy and possibly take a job in business.

"Fluidity between the City and industry has been less good in the UK than it has in other countries," he says. But he believes he has some financial expertise which he can bring to bear in the business world, "or some would say the real world," as he put it.

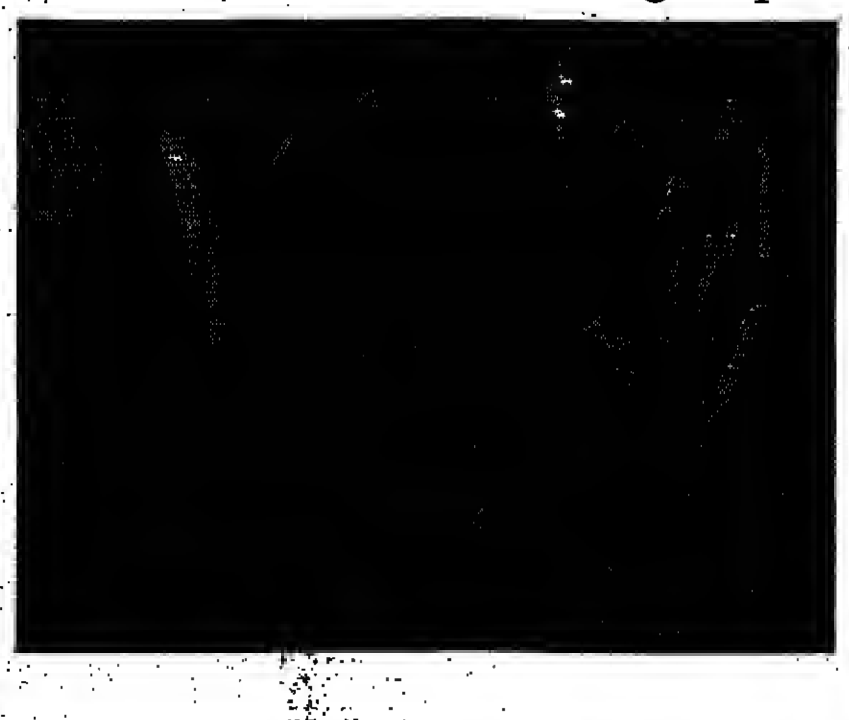
Potter will not be severing all links with Midland. He will do some private consulting for Sir Kit McMahon, the chairman, and will sit on the board of Thomas Cook, its travel subsidiary.

McMahon, meanwhile, has become the new chairman of Young Enterprise, the body which fosters practical experience of capitalism in schools and of which Midland has long been an active supporter.

Wrong day

■ Pickfords Business Travel is conducting a probe into the stresses and strains experienced by British business travellers. It has been postponed because of the rail strike.

James Buxton on the problems which forced Wang's departure from Scotland



A shiver in Silicon Glen

Just over two years ago Malcolm Rifkind, the Scottish Secretary, was delightedly turning the first sod for an extension of the Wang factory at Stirling. It is a scene he may well prefer to forget in the wake of Wang's announcement on Monday that it is to close the plant within three months, with the loss of 240 jobs.

Wang's decision is a big embarrassment for the Government and a setback – though by no means a body-blow – for Silicon Glen, Scotland's electronics industry. It raises important questions about the value of the Government's policy of encouraging inward investment, and about its wisdom in imbuing that investment with a significance that it may not fully deserve.

Wang is certainly not the first US data processing equipment maker to retrench by pulling out of Scotland, but this is a particularly glaring case. The company only came to Stirling in 1983 and was given an attractive site on the campus of Stirling University, as well as the usual financial assistance, believed to be worth about £5m.

Wang was considered a good citizen in Scotland, funding chairs and financing research in Scottish universities. But though the plant was expanded in 1987 it never provided as many jobs as had originally been hoped.

The US parent company is now facing financial difficulties. It is still selling a comparatively expensive range of traditional minicomputers of its own design while its competitors and customers are increasingly turning to networks of low cost microcomputers based on industry standard designs. It is not among the first fifteen manufacturers of personal computers, and its machines are judged pricy and overengineered.

After a $55m loss in the third quarter of the current financial year Wang decided to accelerate its restructuring programme. As well as moving production of personal computers from Stirling to a larger but under-utilised facility at Limerick in Ireland. It also plans:

- To improve revenue per employee by 12-15 per cent to about $115,000 (the industry average) by 1990. That means cutting 12 per cent of the 28,500 workforce.
- To reduce inventories by $60m by June 1989 and improve turnover by 50 per cent within several years.
- To decrease the level of net property, plant equipment and spare parts by $100m over the next two years.

Superficially, Wang's move has parallels with the abrupt decision in 1987 of the US company Caterpillar to shut its tractor plant near Glasgow with the loss of 1,100 jobs – just months after announcing an investment programme that "secured its future." But unlike Caterpillar, Wang, though taking an equally sudden decision, is offering to sell its plant as a going concern with its workforce intact to any other electronics manufacturer who wants it, as well as to offer some of its Stirling employees jobs in Ireland.

Caterpillar's refusal to allow its plant to be used for tractor manufacture by anyone else helped make the closure, which provoked a long, ultimately unsuccessful sit-in, such an unpleasant business.

The Government's discomfort over Wang springs largely from the importance that it attributes to inward investment in places like Scotland and Wales. "Politicians love announcing the creation of new jobs," one official associated with inward investment said recently. "They get three bites at the cherry: first the initial announcement, then the turning of the first sod and finally the opening of the gleaming new plant." The media, he might have added, usually rise to the bait.

Figures for the number of jobs created by inward investment are incautiously touted around, to the extent that the National Audit Office recently ticked off Locate in Scotland, the Scottish Office/Scottish Development Agency inward investment joint venture, for not adjusting them downwards when plants failed to generate the promised level of employment. Scottish ministers face public intense pressure to outdo their colleagues in Wales.

Hamish Morrison, who runs the Scottish Council Development and Industry, an economic lobbying organisation, says: "Every new inward investment should carry a health warning, just as a unit trust prospectus tells you that shares can go down as well up. If ministers hype it up too much, they have only themselves to blame when things go wrong."

Silicon Glen exhibits both the good and the bad sides of inward investment. The Scottish electronics industry employs about 45,000 people and includes many of the big US companies, as well as a sprinkling of Japanese companies. International Business Machines makes its PS/2 personal computers in Greenock and NCR manufactures all its automated teller machines at its plant in Dundee.

Locate in Scotland has been good in bringing to Scotland fast rising US companies. The booming personal computer maker Compaq opened at Erskine near Glasgow in 1987 and is now set to expand for a third time, taking its labour force from 550 to 1,000. Sun Microsystems, the rapidly growing workstation maker, is soon to open a plant at Linlithgow.

The downside is that employment in the Scottish electronics industry has not grown noticeably in the past few years. Hopes that the foreign-owned plants would spawn a strong indigenous electronics industry have not been fulfilled. Scottish-based companies supply only 15 per cent of all components consumed in Silicon Glen. Multinationals go first to tried and tested suppliers, and Scottish companies have sometimes been found wanting.

Nor have the multi-nationals been the launchpads that had been hoped for teams of executives spinning out to set up their own companies. One of the few Scottish examples of a spin-out, Rodime, which became a world-wide manufacturer of disk drives, has just been given financial resuscitation.

The shortage of spin-outs is thought to be due to the fact that most plants in Scotland are solely manufacturing operations, lacking research and development and marketing personnel: few contain people who understand the whole business and would be able to set up on their own, and several multinationals are believed to work hard to discourage those who think of trying.

There are exceptions, of course: NCR not only makes ATMs at its Dundee plant but also designs them there and decides what markets to sell them in. But Compaq's plant is simply a high-quality branch manufacturing operation where any question of carrying out research and development is banished to the distant future.

Professor Michael Scott of the Scottish Enterprise Foundation of Stirling University argues that there is a hidden cost to inward investment: "It creates working class jobs at the cost of white collar jobs," he says. The disproportionate emphasis on production reduces the need for other management skills; people who might for example have gone into marketing in Scotland have to seek such jobs elsewhere in Britain.

Mr Morrison also questions whether "using a lot of public money in an endless quest for blue collar jobs is all that clever in a mature industrial country." He believes that with competition for inward investment intensifying Scotland may in future lose out to the "sunbelt" of the EC – places like southern Spain and the south of France, for example, and even Ireland, with its lower wage costs, which has scored in the Wang case.

However, in a country with an unemployment rate still only just below 10 per cent any policy that has the possibility of producing considerable numbers of jobs has obvious attractions, especially when there are few ways in which Scottish Office ministers can intervene directly in the economy. The Government is unlikely to listen very hard to suggestions being made to prevent a repetition of the Wang pull-out.

Critics, such as the Scottish Trades Union Congress, say that the Government should attach more strings to the grants it offers to incoming companies – requiring them to bring research and development functions to Scotland, provide advance notice of closures and rundowns, and to repay grants in the case of a premature departure. Though the Government may have some chance of reclaiming part of the money it is believed to have given Wang, any other restrictions could simply induce companies to look elsewhere.

Perhaps more soundly, the Scottish National Party said on Monday that Wang's closure "shows the need for Scotland to build-up home-based industries with real roots in our country." But it is not certain that indigenous companies have a better success rate than multinationals.

Additional reporting by Alan Cane.

UK trade

The export consequences of Mrs Thatcher

By Andrew Snell

Whatever the truth of the argument about whether a UK economic "miracle" has taken place, there is strong evidence of a turnround in the UK's performance in one area: the UK's share in world manufacturing exports.

UK export share depends on:

- Relative export prices
- The number of overseas goods markets contested by UK producers
- The income elasticity of demand in these markets (the income elasticity of demand is the proportional response of demand to income. An elasticity of 0.6 implies that if income rises by 1 per cent then demand will rise by 0.6 per cent)
- Income growth in those destinations where UK exports are concentrated relative to that elsewhere.

Relative export prices are largely outside the control of UK producers, because they depend on the exchange rate. So is income growth in destination countries.

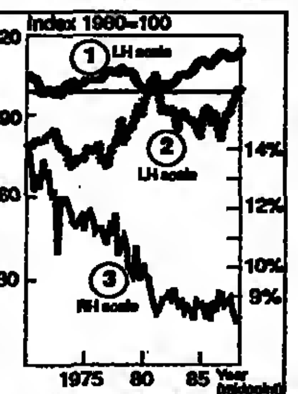
However, the ability of UK manufacturers to enter new markets or stay in existing ones and the income elasticity of demand in these markets depend on the nature of the goods being produced.

Some goods are "luxuries," ones for which demand grows faster than the rise in incomes. The income elasticity of demand for such goods is thus greater than 1. A predominance of luxuries among UK export goods will manifest itself in a world income elasticity of demand that is greater than 1. A predominance of "necessities" would result in an elasticity below 1.

The chart plots the UK's share, in relative volume terms, of exports of the world's main manufacturing countries. Up to 1980, there was a steady decline, a characteristic of the post-war era. Between 1980 and 1981 there was a large fall; since 1981 there has been a stabilisation of market share.

Folklore has it that the long-run decline in export share from 1945 to 1980 was largely the result of UK manufacturers being concentrated in slow-growing markets, producing goods with a low income elasticity of demand. In 1977, David Stout blamed this low income elasticity on non-price factors, such as long delivery times arising from frequent strikes, and poor product quality and reliability.

Econometric analysis (in a recent study for which I was jointly responsible) supports this view. Using data from the pre-Thatcher era, the world income elasticity of demand for UK exports was estimated to be 0.67, significantly below 1. In short, it appears that the UK produced necessities destined for slow growing countries. As a result, the number of markets contested by UK producers gradually fell and UK exports grew more slowly than world income and world trade.



1 Relative profitability of exports
2 Relative export prices
3 UK export share in volume terms (scaled to equal its value share in 1980)

In 1980 and 1981, the number of overseas markets contested fell more dramatically than before. A tight monetary squeeze, a sharp rise in the value of sterling and a world recession led to a jump in bankruptcies and a decline of nearly 20 per cent in manufacturing capacity. The 15 per cent or so fall in relative export volume in these two years is hardly surprising.

But why the stabilisation of shares after 1981? Movements in price competitiveness are not the answer; the chart shows that relative export prices have oscillated around a level 10 per cent or so higher than in the early 1970s. One possible explanation may lie in the very rapid growth of the US economy – relatively very important to Britain as a market – in 1982-85. However, US growth slowed in 1985, whilst UK exports continue to do well; and the importance to the UK of the US as a market actually fell during the period.

So has the malaise of poor non-price competitiveness diagnosed by Stout and others been cured? Such improvements should be reflected in a higher income elasticity of demand for UK exports. Our analysis shows that this is exactly the case; the elasticity rose steadily after 1981 from its old level of 0.67 to stand at around 1 in 1986.

Two possible causes spring to mind. First, the deep recession of 1980-81 led to a shake-out of the least efficient firms and shifted output very rapidly towards goods produced by cost efficient firms, which are also likely to be those with strong non-price competitiveness.

Second, the sustained rise in manufacturing productivity has led to a far more capital intensive mode of production than before. In this sense, the productivity "miracle" may at least in part be attributable to supply-side policies and, in particular, to the Government's labour legislation. Even so, there is still the controversial issue of whether or not alternative policies with less drastic side effects were available.

Meanwhile, faced with a huge trade deficit, the Chancellor of the Exchequer may take some comfort from the fact that, if price competitiveness does not deteriorate, UK manufacturers appear to be more able to divert capacity away from domestic production to overseas markets than at any other time in recent history.

The author is a lecturer at Edinburgh University, and co-author, with M. Landesmann, of The Consequences of Mrs Thatcher for UK Manufacturing Exports, Economic Journal, March 1989.

LETTERS

Life in the market

From Dr Sebastian Kraemer.

Sir, It is often stated that the Government's proposals for competition within the National Health Service could create practical difficulties, as if this were merely a risk that might, with good management, be avoided. If this were the main objection, Mr Kenneth Clarke, the Health Secretary, would be justified in pressing ahead with his reforms.

There are bound to be problems in implementing such a plan (not least its hidden expenses), but these can be surmounted, with e will. What cannot be avoided is the fundamental error of principle in the white paper.

The intended effect of the proposed internal market is to increase the wealth of units that can offer apparently cost-effective services at the expense of those which fail to attract custom. This cannot conceivably improve the performance of the service as a whole – neither at district nor at national level – because *an internal market requires some units to be failing at any point in time.*

Not everyone can win simultaneously. The pressure on losers to shape up – or give up – is tolerable in an enterprise which is not obliged to protect lives, and may even result in a better product.

But if the product is an integrated health service, then any kind of failure within it is unacceptable, at all times. The unlucky patients who happen to have put their trust in a particular service which is struggling to survive will hardly be comforted by the knowledge that market forces will eventually weed it out.

Sebastian Kraemer,
The Tavistock Clinic,
120 Belsize Lane, NW3

Home or away

From Mr David Marsh.

Sir, The 15 per cent limit on foreign ownership of Rolls Royce and British Aerospace (Lex, June 19) can be resolved by maintaining two share registers, one for British holders and the other for foreigners.

British holders would be able to buy "foreign" register shares, but not vice versa.

David Marsh,
Villa 12, Al Jalil Gardens,
Budaiya, Bahrain

P&O's 'identity'

From Mr Timothy Edwards.

Sir, I enjoyed Sir Owen Green's open reply to Joe Rogaly (June 23), and the clear distinction he made between the legal identity of his company and its spiritual identity as represented by a combination of shareholders and employees.

How ironic, then, that the same issue contained the news that P&O European Ferries was being prosecuted by the Director of Public Prosecutions (DPP) for manslaughter, traditionally a charge against individuals.

The DPP's action is seen as a popular step: does society take such a different view from one of Britain's senior industrialists?

While Sir Owen's literal interpretation of the law is clearly correct – based on the principles of case law begun with *Salomon vs Salomon & Co* – I wonder whether this represents the general view of a business corporation?

It seems to me that society is tending to recognise e company as another form of social unit (similar in many ways to a large family or community) and therefore imposing on this unit particular forms of social responsibility beyond and ahead of the strict interpretation of law. Examples of this responsibility include concern for the environment, protection of employees' welfare, participation in the community . . .

So P&O Ferries, as a structure in its own right, is seen to share responsibility for the fate of one of its ships. In the eyes of the public there appears no distinction between legal and spiritual identity: the spirit failed, and the law becomes the redressing force.

There are wider implications: companies have not yet developed the appropriate system of collective responsibility to meet these new obligations. Managers are encouraged – as individuals – to exercise authority and accept responsibility to meet objectives laid down by directors on behalf of shareholders. This individual responsibility is a reflection of the specialised skills being encouraged throughout industry; for instance, financial specialists are not equipped to take proper responsibility for production.

At the very moment that society is expecting greater social accountability from organisations as a whole (witness the recent "Green" vote in the Euro-elections), business managers are focusing on the accountability of the individual. Thus a tension is developing in the business world between the expectations of society (as distinct from particular shareholders) and the operational structure of management.

The P&O case is just the start of a process of law to reconcile these differences: no wonder the outcome of the case is awaited with such interest.

Timothy Edwards,
84 Bergh Road, W6

Dispute in steel

From Mr John Porter.

Sir, Jimmy Burns (June 23) may have left a false impression of some of the facts behind the steel erectors' dispute. "Low wages for high risers," and the statement that the employers' offer "left the basic rate untouched," ignore the fact that the basic rate for steel erectors under the national agreement for the engineering construction industry is considerably higher than for either building or civil engineering skilled workers.

Also Mr Burns does not make clear that our increase of 30 per cent in accommodation allowances, together with the other elements of the offer, will provide very significant increases in the wages and benefits of these workers as soon as they return to work.

The offer has not only been endorsed by the AEU (Amalgamated Engineering Union); it has also been ratified by the industry's national joint council, which represents all trade unions and employers in engineering construction.

UK Structures, whose managing director has criticised our refusal to improve the offer, is the smallest company affected – it employs no more than 5 per cent of the men who are on strike. All the other contractors strongly support the line taken on their behalf by my association.

John Porter,
National Engineering Construction Employers' Association,
Broadway House,
Tothill Street, SW1

Getting around in London

From Mr Peter Bottomley MP.

Sir, The discussion about the assessment studies in four areas of London may be illuminated by the aims, the objectives and the stage one reports.

Michael Valentine (Letters, June 20) suggests we are aiming to help car commuters and "through traffickers." Why? If he is not yet aware of the often-repeated statements, here they are again. The radial car commuter into central London is to be restrained. The "through trafficker" is not to find advantage by using London as a short cut.

Mr Valentine asks for a concentration on public transport. Although it is now two weeks old, he could read the ante-penultimate and penultimate paragraphs of my letter to you (June 12). He asks for improvement of existing roads. How can anyone know that is the best option without an assessment – and even if it is the best, is it worth doing?

Generally, it is the claim of others that we are determined to spend enormous sums of money to build great new roads to the detriment of Londoners and to the hindrance of overall mobility. We would not want to do that.

Peter Bottomley,
Minister for Roads and Traffic,
The Department of Transport,
2 Marsham Street, SW1

Brain drain

From Mr Iain Baillie.

Sir, Sir Edward Parkes (Letters, June 15) quotes a professor of computer science complaining about the "Thatcher treatment of the universities" in the context of going to the US. Has this young professor inquired how US universities are supported?

Most are supported by private funds or by local governments as distinct from the federal government. UK universities expanded without thought, after the Second World War, solely on the basis of government funding.

Now faced with economic reality, the main reaction is one of complaint rather than enterprise. Perhaps Sir Edward should follow his professor, and learn how to finance the university.

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53-54 High Holborn, WC1

FINANCIAL TIMES
Wednesday June 28 1989

Two worlds aboard the steamship Liemba

Nicholas Woodsworth sails Lake Tanganyika in the shadow of Bogart

As any admirer of Humphrey Bogart will remember, Charlie Allnut in the film classic "The African Queen" is, deep down at least, made of the right stuff. Drinker, smuggler, and all-round reprobate, he redeems himself in the last minutes of the film by blowing the Imperial German lake steamer Konigin Luise to smithereens, using his own boat as a torpedo. By helping to put an end to Germany's First World War expansionist designs in East Africa, he wins both the recognition of England, and, more importantly, the heart of Katherine Hepburn.

Truth, as the old saw goes, is sometimes stranger than fiction. During the 1914-18 war the Germans of colonial Tanganyika did indeed run a naval steamer – the 1,300-tonne Graf von Goetzen – along Lake Tanganyika after having transported it plate by plate 800 miles inland from the coast.

But the Graf von Goetzen was not blown to bits like her fictional counterpart. Although she spent nearly a decade underwater after having been scuttled by the Germans in the closing days of the war, she was refloated by the British, the new rulers of Tanganyika. Rechristened the Liemba, she today continues to sail Lake Tanganyika, and her career remains as swashbuckling as anything that Bogey might have dreamed up.

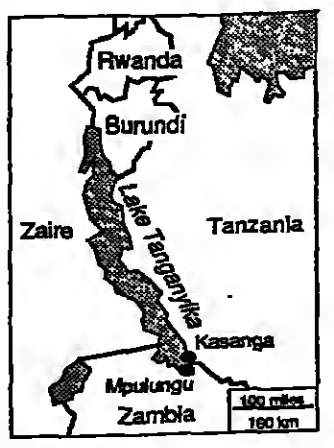
Germans still sail on the Liemba as she plies the 420 miles of blue, crystal-clear water that stretch from Zambia northward to the former Belgian colonies of Burundi and Rwanda in Central Africa. But today her 4-inch gun has gone and its place on the Liemba's upper deck has been taken by less lethal contraptions – safari Landrovers bristling with dried sausages and piled high with cases of Spaten beer.

However, transporting tourists and their vehicles up to gorilla country in the mountains of Rwanda is only a sideline; the Liemba is above all a floating den of smugglers who successfully manage to break every import, excise, and exchange control regulation in the region.

The ship is operated by the Tanzanian Railway Corporation and subsidised by grants from Danida, the Danish government aid organisation; in principle it exists to connect otherwise isolated lakeside Tanzanian villages to the outside world.

While it certainly does provide this service, its stopping off at isolated points near the frontiers of Zambia, Tanzania, Zaire and Burundi also offers ideal opportunities for large-scale trans-border smuggling operations. Not only does the Liemba allow the movement of goods about this largely roadless part of Africa, it also allows the circumvention of the area's checkpoints, border posts, and frontier patrols.

Even to the practised eye nothing seems amiss as the Liemba pulls away from the customs shed at the port of Mpulungu in northern Zambia. On the upper deck brawny, safari-hatted burghers from Stuttgart settle down to three days of beery Teutonic comradery. On lower, cheaper decks the scene is crowded and typically African: travellers with their few possessions spread



themselves out on the floor, chat, play games with battered packs of greasy cards or stand at the ship's railing spitting sugarcane overboard.

Outside, under a cloudless sky and high green hills, some of the most beautiful scenery in Africa tranquilly goes by. The calm is broken some three hours later when, after sunset, the Liemba hoves to off Kasanga, the first Tanzanian lakeside village north of the Zambian border.

Suddenly from out of the dark the Liemba is surrounded by a score of large dug-outs, each manned with a dozen or so paddlers. Their crews swarm up the sides of the ship and spill on to the deck like so many pirates. These are the smugglers of Mpulungu; under the cover of dark they have left hidden bays and coves in Zambia for their offshore rendezvous with the Liemba. The boats are loaded to the gunwales with Zambian produce – tonnes of maize meal, sacks of sugar, tins of cooking oil.

Heavily subsidised in socialist Zambia, these goods can be sold up to 400 per cent profit over the borders. The smugglers work furiously, loading their cargoes on to the deck of the Liemba. At the same time the ship's crew and passengers undergo a curious transformation, assuming second identities and becoming black market money changers, bulk merchandise dealers and buying agents for commercial concerns in the distant north. Amid much haggling and confusion, prices and unofficial exchange rates are agreed on, deals concerning future shipments are hammered out, and thick wads of local currency change hands. The Liemba is no longer just a ship, but a mobile market place and trading floor.

This is just the first stage in a long series of similar, well-organised trading operations that take place up and down the lake and involve all four countries surrounding it. With their earnings, the Zambian smugglers will buy Tanzanian goods, sell them at home and reinvest the profits in further illegal Zambian shipments. Later in the trip the decks of the Liemba will be piled 20 feet high with sacks of dried fish.

Unloaded on to small boats off the frontiers, not a single sack will be left by the time the Liemba docks at government wharfs. Fish bought in Tanzania will be sold in Burundi; the Burundi profits will then go to Zaire to buy illegally mined gold for a quarter its market value; the gold along with other goods will cross over to Tanzania and eventually end up in the gold markets of the Middle East. And in this entire cycle of transactions, not a penny's worth of import or customs duty is paid.

Government officials are obviously aware of such consistent and large-scale activity, but are unwilling or unable to stop it. A large retinue of immigration and customs authorities accompany the Liemba all along its route, but with tiny government salaries and large families to support, those who are not actually involved in the business can be persuaded to turn a blind eye.

Says one senior Danida official who sympathises with the smugglers: "Instead of waiting for non-existant jobs, these people are managing to feed themselves and getting essential goods to markets. Of course they're breaking the law; they're also stimulating regional trade in a way that bureaucracy-bound governments here have never have."

There is something to this point of view: all four countries bordering the lake are members of the 15-country Preferential Trade Agreement, Africa's largest regional trade body. So hamstrung is commerce by protective regulations and red tape, however, that only 6 per cent of the zone's total trade is interior.

Certainly it is a point of view shared by the smugglers on board the Liemba. "The government calls it smuggling, we call it business," smiles Thomas, a university graduate on his way to Burundi with two tonnes of dried fish. "As far as we're concerned, this is regional co-operation."

THE LEX COLUMN

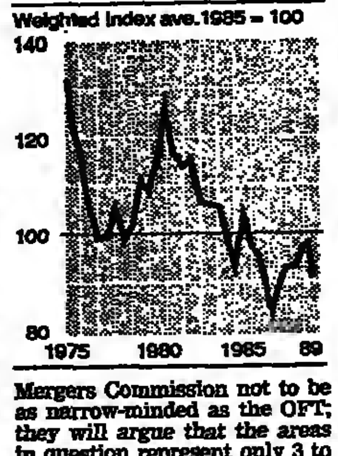
A ray of hope on interest rates

It would be optimistic to suggest that the UK's May trade figures open up the chances of an early fall in interest rates, but they have reversed the growing pessimism that another rise in base rates is imminent. It is always dangerous to put too much emphasis on one month's figures, but there is a chance that the worst may be over in terms of deterioration. The recovery in the pound was also welcome; but given the scale of its fall over the last few weeks, it has some way to go before international confidence in the credibility of the authorities' firm exchange rate policy can be restored.

The equity market's response was understandable, if a touch over-enthusiastic. Year on year comparisons of the trade numbers still make dismal reading, but the pickup in export growth and markedly slower pace of import growth in recent months is encouraging. They suggest that the economy is slowing down, enabling resources to be switched to the export sector. However, it is still unlikely that the size of this year's deficit will be less than £14bn; and with the US economy visibly losing momentum, the scope for a substantial reduction next year is small.

If the foreign exchange markets respond positively to the outpourings of the Madrid summit, sterling might gain additional support. Despite Mrs Thatcher's protestations, the UK is being dragged towards full entry to the EMS. Once this is understood, confidence in sterling should improve, lessening the need for further damaging interest rate rises.

Sterling
Weighted index ave.1985 = 100



Coats/Tootal

It was clear from the start that the benefits which were to sell the Coats/Tootal deal to shareholders were also likely to attract interest from the competition authorities. Yet by Monday, the US authorities had made it known they were satisfied with the creation of the world's largest thread maker; and the market was beginning to think things might go smoothly in the rest of the merged company's vast new empire.

They may yet do just that. But for the moment, Lord Young has shown interest in a merger which would control over 60 per cent of the UK domestic thread market, 40 per cent of industrial thread and 30 per cent of haberdashery. Parties to the deal will now try to persuade the Monopolies and Mergers Commission not to be as narrow-minded as the OFT; they will argue that the areas in question represent only 3 to 4 per cent of combined turnover, and that the merger should be judged in a wider perspective.

With London conquered, the partners could still have Brussels to convince as well. But there is no sign that all that effort has put them off their original design and, if clearance is secured, the deal should be resurrected at the original price. But a resolution is at least three months off, and conceivably more. If things do not go Coats and Tootal's way, the chances are that the latter would still be taken over – but at a price suitably lower, to reflect failure first time round. Yesterday's 8 per cent fall in the Tootal share price probably takes sufficient account of that possibility; and while the authorities deliberate, there is little motive for more.

Lonrho

Lonrho's fresh onslaught on Alan Bond could have been better timed, coming on the same day as condemnation by the Observer's independent directors of the paper's coverage of House of Fraser. It is a familiar charge that Mr Rowland is more concerned with personal squabbles – or, as his admirers would put it, with Truth and Justice – than he is with the interests of shareholders.

In this case, there could be more to it. With Mr Bond's position in Australia becoming more gruesome by the day, it is plainly Lonrho's intention to force him into placing his 20 per cent stake quietly with the institutions, rather than waiting for a single buyer. As a bonus, the renewed display of Lonrho's ferocity serves as a reminder of what awaits any buyer with hostile intentions.

But Lonrho is in a tight place of its own. Not many years back, Mr Rowland and his army of private shareholders accounted for some two thirds of the shares. If the Bond stake were placed in the market, the position would be reversed, with two thirds held by the institutions. Either way, Lonrho is more open to a bid than it ever used to be; and for all Mr Rowland's defensive aggression, few companies are as vulnerable to such tactics as the hapless Mr Bond, or indeed the Fayeds.

With all that, Lonrho remains a formidable target. But many of its assets – plantations, hotels, Europe-wide trading companies – are currently fashionable, and are easily detachable. There would be a certain neatness if, one way or the other, Mr Bond ended up enjoying revenge of his own.

Gold Fields

This Friday's extraordinary general meeting of Consolidated Gold Fields to vote on the group's defence plan has been overtaken by events; but Gold Fields shareholders could use the occasion to ask a few pointed questions of their board. If Gold Fields had swallowed its pride and been a mite more friendly towards Minorco, there is a good chance that its shareholders would be better off today.

By the same token, all this talk of friendly meetings with Lord Hanson is too cosy for comfort. Hanson has never been known for its generosity, and it should come as no surprise to Gold Fields shareholders that Hanson's shares are at an all-time high, while they will be lucky to be taken out at a price close to Gold Fields' peak of £15.15.

The 20 per cent rise in the Gateway share price since the bidding began shows that there are plenty of bankers around prepared to finance highly leveraged corporate break-ups. However, the worry is that the Gold Fields' board no longer has the stomach for another protracted battle; and even its more aggressive US investment bank advisers might hesitate to pick a fight with Hanson. The latter has the added advantage of being able to run businesses, as well as break them up. The City's estimation of Gold Fields' management abilities would rise immeasurably if it could see off Lord Hanson by taking the company private, at perhaps £17 a share. But there are few signs as yet that is prepared to be so adventurous.

Soviet PM yields to parliament

By Quentin Peel in Moscow

THE SOVIET Prime Minister bowed to the new-found critical voice of the country's elected deputies yesterday and abandoned eight intended members of his new government.

Six of the eight were dropped yesterday when Mr Mr Nikolai Ryzhkov presented his full government to the Supreme Soviet for confirmation.

The other two, including the main casualty, Mr Vladimir Kalashnikov, who was supposed to become a first deputy prime minister, pulled out earlier in the face of solid popular hostility, he revealed.

The decision marks a considerable victory for the authority of the Supreme Soviet – the country's new standing parliament – over the executive, and an indictment of Mr Ryzhkov's original choice of ministers.

At the same time he announced another concession to public pressure: that nuclear weapons tests at the Semipalatinsk test site in Soviet Kazakhstan were to be sharply reduced in scale and in frequency.

That announcement, following a popular campaign in the Kazakh republic, and the denunciation of the lack of health precautions for the local populace, coincides with the reopening of the nuclear test ban talks in Geneva, in which the Soviet Union is calling for the complete cessation of tests.

Mr Ryzhkov admitted that his 71-member government was still short of nine ministers because of the withdrawal of the eight, and his failure to fill the important environment portfolio.

The empty seats include those for the top man in charge of agriculture – the job Mr Kalashnikov, a long-time associate of Mr Mikhail Gorbachev, was supposed to fill – and the top minister in charge of the oil and gas industries, the country's main export earner.

In addition, Mr Vladimir Gribov, the nominee for chairman of Gosbank, the state central bank, was withdrawn, as was Ms Lira Rozenova, the candidate for chairman of the State Prices Committee.

Mr Vasily Zakharov, Minister of Culture, and Mr Marat Gramov, chairman of the State Sports Committee, were also rejected by the deputies, the latter strongly criticised for the pursuit of excellence in sport to the exclusion of providing remotely adequate facilities for ordinary people.

Mr Ryzhkov's admission of defeat does not mark the end of the process of democratic examination of the ministers, many of whom came in for a grilling from deputies in their committees last week.

The Supreme Soviet now has the right to question each minister before it gets near tackling the monumental agenda drawn up for its first five weeks' sitting.

A mass of new laws is waiting to be debated, amended and approved before early August, including such crucial items as tax laws, the basis of new criminal legislation, the status of judges and the courts, and a press law.

Few observers believe that the deputies, given the heady discovery of their own authority, will prove willing or able to rubber-stamp most of that legislation by their summer recess on August 4.

Gorbachev 'can develop European theme', Page 2

Kazakhstan sees wave of ethnic and food protests

DEMONSTRATIONS and disturbances have been reported from new centres in the Soviet republic of Kazakhstan, with continuing protests against food shortages and high prices charged by immigrant shopkeepers, writes Quantin Peel in Moscow.

The latest reports say that the city of Shevchenko, the nearest major conurbation to Novy Uzen, where five people have died in unrest, saw a mass demonstration outside the Communist Party offices two days ago.

The protesters demanded the expulsion of all "Caucasian nationals," better food supplies and the closure of co-operatives. Krasnaya Zvezda, the military newspaper, said they repeated "the already familiar demand" for the city name – called after the Ukrainian poet and revolutionary – to be changed back to its Kazakh original, Aktan.

Another unauthorised demonstration in Kulsary, near the north-eastern shore of the Caspian Sea, demanded better food supplies and action on youth unemployment.

Meanwhile the independent newspaper Glasnost quoted the KGB chief of Kazakhstan warning of possible disturbances in Dzhezkazgan, about 1,000km to the east, where leaflets calling on Kazakhs and Russians to unite against Armenian immigrants were allegedly distributed.

Fed warns US banks of pressure to lift reserves

By Peter Riddell, US Editor, in Washington

FURTHER significant increases in commercial banks' reserves will be required unless agreements are reached quickly with Third World debtors, a senior official of the US Federal Reserve warned yesterday.

Mr William Taylor, the Fed's chief banking supervisor, told a Congressional committee that credit quality will continue to deteriorate as more countries become unable or unwilling to service their bank debts in the absence of further co-operation between borrowers and lenders.

"In such an event, further significant increases in (commercial banks') reserves will clearly be required. Time is running short and uncertainties appear to be increasing," he said.

Mr Taylor argued that, while the US banking system as a whole is less vulnerable to Third World debt than during the early 1980s, "the vulnerability of some of the largest US banks to these problems is still of significant concern." He said this required that such institutions continue to build their reserves and capital in an orderly manner.

In their evidence, Mr Taylor and Mr Robert Herrmann, Senior Deputy Comptroller of the Currency, a bank supervisory official, maintained that neither US bank supervisory policies nor accounting standards were an impediment to bank participation in the debt reduction strategy launched three months ago by Mr Nicholas Brady, US Treasury Secretary.

They both argued that federal regulators had provided banks with considerable flexibility to enter debt reduction agreements while not compromising standards aimed at maintaining the safety and soundness of the domestic US banking system.

Mr Taylor did not believe that bank supervisory policies "can or should be used as incentives or disincentives" to influence further the implementation of the Brady plan.

Bush to announce Poland aid plan

By Peter Riddell and Lionel Barber in Washington

US PRESIDENT George Bush yesterday confirmed that he was preparing to announce a wide-ranging package of support for Poland during his visit to Warsaw and Gdansk in two weeks' time.

However, speaking at a White House press conference, Mr Bush sought to avoid raising expectations about what the US could do to support reform moves in Poland and Hungary (which he will also visit).

He said it was important that "the US show its interest in these countries that are undergoing change. You don't want to over-exhort, you don't want to over-promise, you don't want to rally people to levels of political activity that might cause repression."

Mr Bush said the US "didn't want just to push money down the drain." He stressed that in relation to the specific plan "Poland itself will have to take the steps necessary to have the money well-spent."

The US is considering measures intended to reinforce moves towards a market economy and to assist in the restructuring of its external debts. The package is likely to include reductions in US tariff barriers to Polish exports and help for private sector enterprises in Poland.

Mr Bush yesterday drew a parallel between his trip and the Soviet leader Mr Mikahil Gorbachev's recent journey to West Germany. "Mr Gorbachev goes to Western Europe and is well-received and I will go to Eastern Europe and I will be well-received."

But Mr Bush's advisers are wary of over-ambitious plans that might fail given the depth of the economic problems, particularly in Poland.

The main problem is over Poland's $39bn of debts, most of which is owed to governments. Negotiations in the Paris Club of industrialised country creditors are proceeding with difficulty and, following a recent visit to Warsaw, the International Monetary Fund is very reluctant to become involved.

The World Bank also wants a comprehensive macro-economic plan in Poland. At present it expects to approve $300m in export and industrial finance loans this September.

Officials in Washington concerned with helping Poland have considerable doubts about the practicability of recent proposals from Mr George Soros, a Hungarian-born New York financier, for a package involving big IMF and World Bank loans and debt-to-equity swaps.

Bush defends maintaining relations with China, Page 6

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio		-	-	Dubrovnik	F	23	73	Malta	S	27	81	Rhodes	S	26	79
Algiers	S	30	86	Edinburgh	R	12	54	Manchester	C	13	55	Rio de J'o		-	-
Amsterdam	R	16	61	Faro	S	29	84	Manila		-	-	Rome	S	27	81
Athens	S	28	82	Florence	S	29	84	Melbourne	C	11	52	Salzburg	S	26	79
Bahrain	S	35	95	Frankfurt	F	26	79	Mexico City		-	-	San Francisco	C	11	52
Bangkok		-	-	Funchal	S	23	73	Miami	F	25	77	Seoul	C	23	73
Barcelona	S	26	79	Geneva	S	26	79	Milan	S	28	82	Singapore	F	31	88
Beirut		-	-	Gibraltar	S	27	81	Montreal	S	23	73	Stockholm	S	27	81
Belfast	C	15	59	Glasgow	R	14	57	Moscow	F	29	84	Strasbourg		-	-
Belgrade	F	25	77	Guernsey	S	17	63	Munich	S	25	77	Sydney	S	15	59
Berlin	S	30	86	Helsinki	S	25	77	Nairobi	F	22	72	Taipei		-	-
Biarritz		-	-	H. Kong	F	30	86	Naples	S	27	81	Tangier	F	25	77
Bombay	Dr	29	84	Innsbruck	F	24	75	Nassau		-	-	Tel Aviv	S	29	84
Bordeaux		-	-	Inverness	C	11	52	New Delhi	S	35	95	Tenerife	S	25	77
Brussels	R	15	59	Islamabad		-	-	New York	S	24	75	Tokyo	C	25	77
Budapest	F	26	79	Istanbul	S	29	84	Nice		-	-	Toronto	S	22	72
B. Aires		-	-	Jakarta		-	-	Nicosia		-	-	Tunis	S	34	93
Cairo	S	34	93	Jersey	F	18	64	Oporto	C	22	72	Valencia	F	28	82
Cape Town	C	16	61	Jo'burg		-	-	Oslo	R	17	63	Venice	S	26	79
Caracas		-	-	Lima		-	-	Paris		-	-	Vienna	F	25	77
Casablanca		-	-	Lisbon	S	24	75	Peking	S	35	95	Warsaw	F	26	79
Chicago	C	22	73	London	F	17	63	Prague	F	25	77	Washington	S	27	81
Cologne	F	25	77	Los Angeles	F	17	63	Reykjavik	R	7	45	Zurich	S	25	77
Copenhagen		-	-	Luxembourg		-	-								
Corfu	S	28	82	Madrid	S	29	84								
Dallas		-	-	Majorca	F	28	82								
Dublin	R	16	61	Malaga	S	35	95								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain
S-Sun Sl-Sleet Sn-Snow T-Thunder

Supporters rush to claim success

Continued from Page 1

cies. Britain can draw comfort from the fact that there is no date for the conclusion of the first stage, and it has linked its own participation in the EMS exchange rate mechanism to progress by other countries in liberalising financial and other markets.

But the implication of yesterday's deal between Mr Mitterrand and Mr Kohl is that work on the far more radical proposals in stages two and three of the Delors report will run in parallel. The Delors model envisages that during stage two the essential structure of an eventual economic and monetary union would be established.

Stage 3 would see the creation of a single currency and a set of binding, Community-wide rules for budgetary and other macro-economic policies.

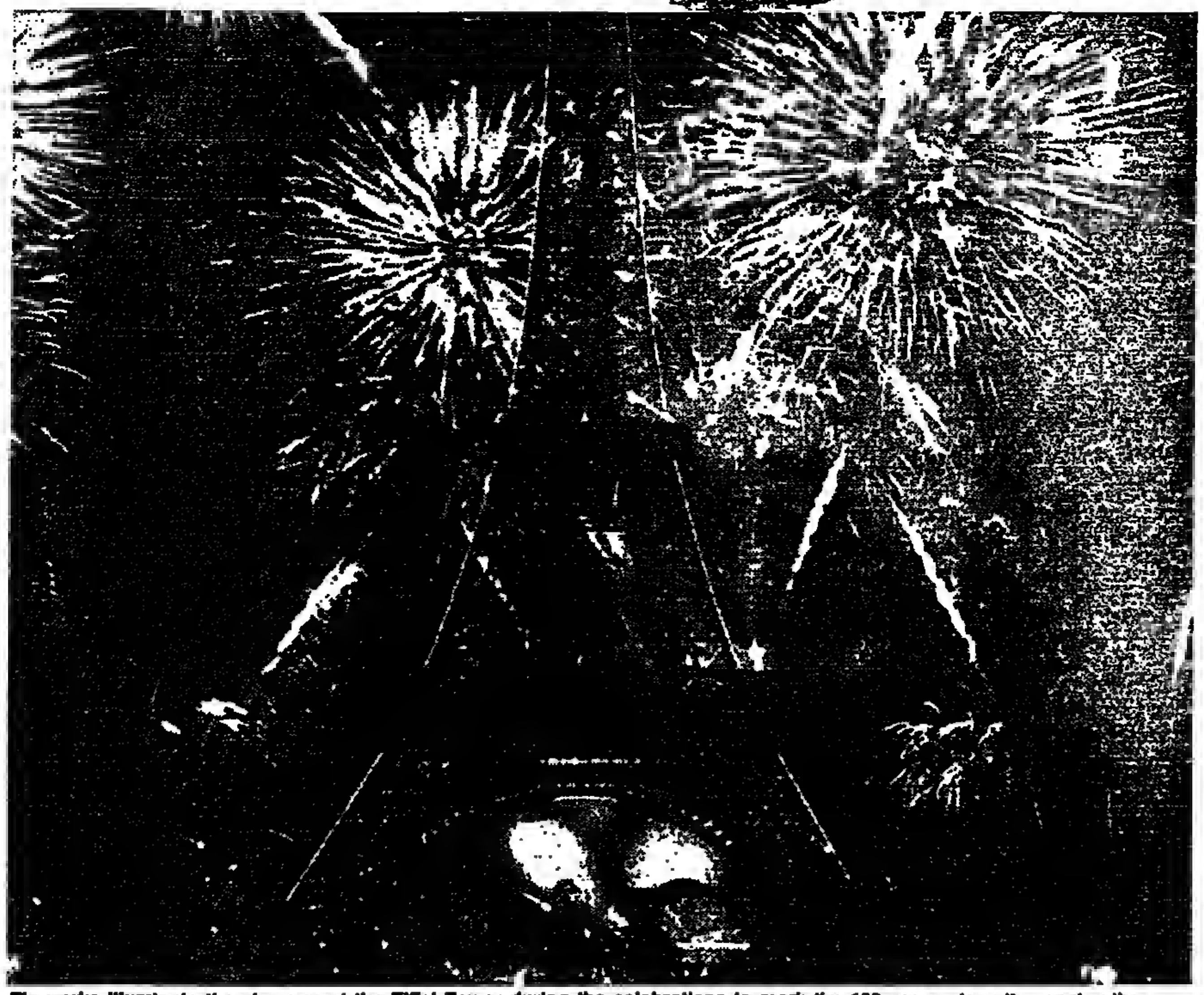
Britain's intervention at Madrid appears to have ensured that the Delors plan will not be the only model for an eventual union. Mrs Thatcher's suggestion that the proposed powers of the new system of central banks would undermine democratic accountability struck a chord with a number of other delegations.

The fundamental point of whether a common monetary policy can only be operated if the Community exercises control over fiscal policies will be the subject of lengthy and heated debate. So too will be the question of whether that, in turn, would require massive transfers of resources from richer to poorer countries.

SECTION III

FINANCIAL TIMES SURVEY

Drama and conflict have long been seen in France as national characteristics which were inseparable from the political condition. **Ian Davidson** argues that this view is no longer valid as France has moved towards a world of consensus and negotiation.



Fireworks illuminate the sky around the Eiffel Tower during the celebrations to mark the 100 years since its construction

FRANCE

CONTENTS

Editorial production: Phillip Halliday

KEY FACTS

Area ....549,200 sq km
Population 55.63m
President .François Mitterrand
Birth rate .....1986 14 per 1,000 population
Labour force % of population: 1985 66%
Life expectancy at birth 1986 .. 77 years
Doctors per 1,000 inhabitants . 1986 2.3
Real GDP growth ...1988 3.8%, 1987 2.3%.
GDP per capita ... 1987 $15,818
Purchasing power parities ..... France 12,803; UK 12,340; West Germany 13,323
Inflation 1988 2.7% 1987 3.3%, 1978-88 annual average 8.0%
Merchandise exports 1988 $167.5bn; 1987 $147.9bn
Merchandise imports 1988 $173bn; 1987 $153.2bn
Current account balance .1988 -$4.01bn; 1987 -$4.08bn
Reserves excluding gold .... March 1989 $25.35bn
Main destinations of exports .. 1988 West Germany 16.4%, Italy 11.7%
Currency .....100 centimes = 1 Franc
Average exchange rate ...1988 US$:5.9569; £:10.5969

Vulnerable in theory

AS IF BY coincidence, political conditions in France and the constellation of affairs in the wider world of east-west relations appear to have started moving on parallel tracks, away from conflict and in the direction of consensus.

No one can be sure if these benign developments are here to stay. It is hard to be sure which is the more surprising. But for the moment at least, a long tradition appears to have been broken.

During much of its political history, France has been accustomed to see itself, and to be seen by the rest of the world, as a stage for dramatic events.

This penchant for political drama has become so familiar and so characteristic, that it is usually discounted, and is often under-estimated.

The idea that drama and conflict may not necessarily be national characteristics, and may not be inseparable from the political condition, appear to run counter to past form in France. Yet that is the idea which is most applicable to political France today.

The world knows that France was the scene for the most famous (or perhaps the second most famous) revolution in history; and that the bicentenary of that revolution is being celebrated in France this year.

Not everyone outside France is aware, however, that the violence of the revolution is still alive and present in France today, even if much attenuated by time, by memory and by subsequent events.

It can be measured, 200 years later, by the intensity of the continuing controversy over the moral and political significance of that long and turbulent sequence of events.

The bicentenary will be celebrated in two weeks' time, with the greatest public pomp. But it is symptomatic of the nature of the revolution, that the run-up to the celebration has revived controversy of great intensity.

The President and all his men had wished for a commemoration which would redound to the honour and glory of France, which would underscore France's pioneering role in proclaiming the principles of the rights of man, and which would (above all) comfort President François Mitterrand in his ambition to unite the French people.

The socialist element in this plan has been a shade too obvious. Antique ghosts remain unexorcised, and the run-up to the celebration of the bicentenary has mainly served to add fuel to the flames of old animosities.

The paradigm holds good in our own lifetime. It is not an accident that in spite of the long maturation process of its political culture since the revolution, France is the only western democracy whose regime was forged (in 1958) in circumstances of stress close to civil war; and that it is the only western democracy whose regime came near to being overthrown by the sub-revolutionary events of May 1968.

Apart from the lunacy of the Third Reich, France appeared to suffer a unique vulnerability to the unpredictable squalls of violent politics.

These are not value-judgments, just observations. Whether the time-period is the 200 years since the revolution, or the 30 years since Charles de Gaulle founded the Fifth Republic, political instability associated with the threat of violence has been recurrent in France's political history.

The historical pattern seems to have been overthrown. In the past few years consensus or negotiation appear gradually to have established themselves as the new normative modes of political action.

It looks as though the most likely prospect is of durable and moderate governmental stability, which should last until the next general election, due in 1993, and may quite possibly last well beyond it. It seems possible that a new political tradition is in the process of being established.

If a sea-change has really come over the conduct of French politics, in the direction of moderation and negotiation, President Mitterrand and Prime Minister Rocard can each claim a large measure of personal credit.

The moderation of President Mitterrand's campaign was one of the keys to his re-election, and negotiation is the centrepiece of Prime Minister Rocard's governing style. But there are probably more important general factors, which go deeper than the preferences of individual politicians.

One important contributory factor in this development has been the steady decline of the French Communist Party since the mid-1970s.

While the communists were the leading force on the left, the centre ground of moderate politics was permanently insecure.

Fear of the communists drove floating voters towards parties on the right wing. Both left and right hoped to benefit from political polarisation, at the expense of the centre. Since the communists were suspected by the right of aiming eventually at a *coup d'état*, and since the Gaullists were accused by the left of having perpetrated something close to a *coup d'état*, in 1958, conditions were not auspicious for confident moderation.

The credibility of the French Communist Party was sapped by the inexorable decline of the credibility of the Soviet Union, after Hungary in 1956, after Czechoslovakia in 1968, after Poland in 1980-81, and after the Euro-missile crisis of 1979-83.

The last straw has been the rigid Stalinism of the PCF leadership, which has spread schism within the party ranks, by its dull rejection of President Mikhail Gorbachev's spectacular demands for glasnost, perestroika, and reform.

The second most important factor in the new moderation was the progressive, and apparently irreversible, slippage in the credibility of the Gaullist RPR party.

Because the Gaullist movement was ineradicably connected with the personality of its founder, rather than with any coherent ideology, it was unavoidably weakened by his departure in 1969.

By 1986 the leadership under Mr Jacques Chirac had adopted a classic liberal-economic party policy which was indistinguishable from that of any other rational conservative party.

The problem was that the voters of the Gaullist party had not been brought up to expect a classic liberal-economic party policy. The strength of the party organisation helped ensure that Mr Jacques Chirac would be the main right-wing challenger of President François Mitterrand in the Presidential elections; but it could not overcome the ideological confusion in the ranks of would-be right-wing voters.

The third most important factor in the moderation of French politics has been the gradually centralising force of the intrusion of Europe into domestic politics. So long as the scene was polarised between the communists on the left and the Gaullists on the right, Europe was at best a source of ambivalence in France.

By one of those paradoxes of history and of the dynamism of the French political system, almost all the main initiatives for the construction of a more unified Europe have come from France, or at least from Frenchmen. But their forward-looking impulse was frustrated by the common resistance of the communists and the Gaullists.

By the mid-1980s, however, the logic of the European Community had become compelling for all the main-stream political parties, because there was no avowable alternative.

As late as 1985, the Gaullist RPR party was still reluctant to accept this logic, in the shape of the newly-negotiated treaty for a Single European Act and a single European market. But by 1986, when they had overturned the socialists in the general elections and returned to power, the Gaullists felt compelled, by the absence of alternatives, to start declaiming a new integrationist doctrine for Europe: a single industrial and financial market, rapid progress towards economic and monetary union, and a corresponding strengthening of the political and defence structures of Europe.

This was a far cry from the views of General de Gaulle. The problem was that circumstances had changed out of all recognition.

Once upon a time, integration had been an altruistic political impulse, possibly appropriate for little countries like Belgium, but not required of great countries like France. By the 1980s, however, in the face of the export onslaught of Japan and other Asian economies, economic integration had

Continued on Page 5

The political scene is marked by success of the left and right-wing disarray, **reports Ian Davidson**

The paradox of socialist popularity

THE SOCIALIST government is riding high after 12 months in office, while the opposition parties are weak and divided.

The President and the Prime Minister are both at a peak of popularity. Mr Jacques Chirac and his RPR Gaullist party are still wrestling unsuccessfully with the personal and institutional failings which led to defeat in last year's Presidential election.

The disarray on the French right-wing was only to be expected. It is a structural legacy both of thirty years of Gaullism, and of French history over a longer period.

By contrast, the success and the serenity of the Socialist government at first glance seems more paradoxical, and calls for more explanation.

The paradox starts with the presidential and parliamentary elections on May 8 last year. France delivered a massive vote of approval to its Socialist President, François Mitterrand, re-electing him to a second seven-year term, by a crushing 8 per cent margin over his Gaullist challenger, Mr Jacques Chirac.

Yet in the general election which followed Mr Mitterrand's victory, the voters appeared to deliver a significantly different verdict: the Socialist party was indeed restored to power in the National Assembly, but its score fell well short of an absolute majority of seats.

Within the space of five weeks, it seemed as if France had changed its mind. This contradictory result received varying interpretations. President Mitterrand had campaigned against ideological conflicts, and had called for a spirit of compromise and an opening towards the centre.

In giving the Socialists less than an absolute majority, and in thus guarding against any recurrence of doctrinaire socialism, according to some commentators, the electors were merely endorsing the wishes of the President.

Other explanations focussed on the high abstention rate of 34 per cent. After the intensity of the Presidential election campaign, and the cumulative effort of four rounds of balloting, the electorate had been suffering from voter-fatigue.

It just happened that it was the Socialists who suffered. *The most immediate problem* for Mr Michel Rocard was the formation of a government. There was intense speculation over how he would put into practice the idea of an "opening" to the centre, as advocated by the President.

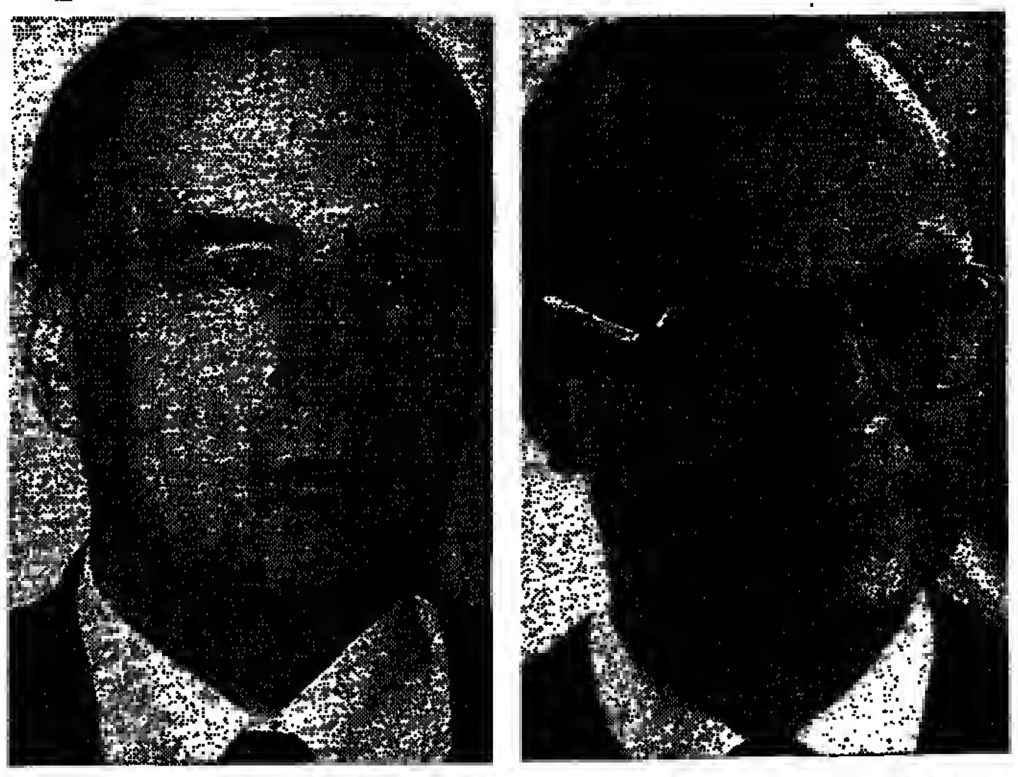
In particular whether he would succeed in recruiting into the government any leading political figures from the moderate opposition, such as Mr Raymond Barre, the former Prime Minister. Or whether he could construct a formal and durable parliamentary majority, by striking an overt bargain with the CDS party.

It soon became clear that Mr Rocard would do neither. He signed up a few ministers who had belonged to conservative parties, such as Mr Jean-Pierre Soisson, formerly of the Republican Party, and Mr Jean-Marie Rausch, of the CDS party, who became Labour and Trade Ministers respectively.

He recruited a rather larger number of non-politicians, such as Mr Pierre Arpaillange, who became Minister of Justice; but essentially Mr Rocard was left leading a minority government.

This reinforced the general sense that Mr Rocard would have a hard time. Personal relations between himself and the President had long been notoriously cool. For years Mr Rocard had been a semi-declared challenger for the leadership of the Socialist movement and rival in the Presidential stakes.

Cynics suggested that President Mitterrand might well have appointed Mr Rocard to the Hotel Matignon out of malice – he was being sent out to lead an exploration of an unfavourable battle-field and when he was worn out by probable



François Mitterrand (left) rides high while Jacques Chirac remains demoralised by defeat

Chirac will probably remain leader of the Gaullists for the foreseeable future

failure, he would be discarded.

Many believed that Mr Rocard would not last longer than six months or a year, and the conventional prediction was that he was unlikely to survive much beyond the municipal elections scheduled for March of this year.

Events have turned out quite differently, for three basic reasons.

The most important factor has been the weakness of the French Communist Party (PCF). It was the culmination of President Mitterrand's strategy, which lasted 20 years, for the displacement of the PCF by the PS as the most important left-wing party in France.

The Socialist government is in a minority in Parliament but it can only be brought down through an alliance between the conservative parties and the Communists. There are no circumstances in sight in which the Communists would lend themselves to such an alliance, since its logical consequence would be the return to power of the right-wing parties.

Second, President Mitterrand had little alternative but to make Mr Rocard the Prime Minister; and therefore little alternative but to keep him as Prime Minister.

Since an alliance with the Communists was ruled out, as a result of the Socialist-Communist rupture of the early 1980s, and since President Mitterrand was committed (by his campaign commitments) to a *moderate socialist/social-democrat* posture, he was virtually obliged to choose a moderate socialist or social-democrat as his Prime Minister.

He might have personal reasons for wishing Mr Rocard ill. But if he did not appoint Mr Rocard, or chose an early opportunity to dump him, he would still be obliged to choose someone similar, and there are not many in that category.

Third, Mr Rocard's talents have so far turned out to be well suited to handling the dilemmas of a minority Socialist government. His instinctive belief in reasonable compromise, and his natural aptitude for negotiation, have turned out to be tailor-made for political accommodation in the social-democrat border between traditional socialism and moderate conservatism.

Orthodox socialists in the PS have long rejected his brand of social democracy, they may not have foreseen that the management style of "la methode Rocard" would prove remarkably effective. Its first spectacular test, was the restoration of peace between the warring European and Melanesian communities in *New Caledonia*, and the negotiation of a new government regime for the Pacific territory, subsequently approved in a national referendum.

The more enduring demonstration of the Rocard method was that the government has managed to sail through its legislative programme with consummate ease. A minimum guaranteed income has been introduced, counterbalanced and partly financed by a new wealth tax; the housing laws have been modified to curb the steep escalation of rents and property prices in Paris, and give more protection to tenants; new safeguards have been introduced to protect the rights of foreigners in France.

On the way, the government faced rolling waves of strikes and demonstrations from discontented workers, ranging from prison officers and nurses to employees of the Paris Metro and public sector workers in Corsica.

By December, the toll appeared to be telling. The PS did badly in a couple of by-elections, the opposition mounted a censure motion against the government, and the press started to ask if Mr Rocard was finished. But one by one the industrial protest movements gave way before moderation and the resolution in the government's posture.

Yet the government has owed almost as much to the confusion in the right-wing opposition parties as to its own skill and judgment. The single most important pointer of the Presidential election, was that the right wing needed to heal its internal divisions if it was to hope to return to power.

But in the aftermath of the election, the conservative parties have still not discovered how to put that lesson into practice. The immediate reaction to the general election of the CDS party, was to assert its separate Parliamentary existence.

Inelnctably, in the spring, the centrists then carried into practice their defiance of the other, more conservative parties, by launching their independent campaign in the European Parliament elections.

Perversely, the centrists insist both on describing themselves as part of the opposition, and on steering clear of the Gaullists. At one point in the spring of this year, it looked as though the split in the ranks of the right wing might be healed

The government looks like having a longer life-expectancy than cynics predicted

– but only by dumping the long-established leaders of the conservative parties in favour of a new generation.

The municipal elections in March showed a strong tide flowing in favour of young, non-ideological politicians, across the spectrum. A number of young conservatives, notably in the Gaullist party, suddenly felt encouraged to mount a challenge to the old party leaders.

For two brief weeks these "reformers" were poised to launch their own campaign for the European elections, and it seemed they might succeed in mobilising a unified campaign of young conservatives which could include the centrists.

The European Parliament election offered unique attractions for shaking the old party structures. It was not a domestic election, so no main policies; and few coveted jobs, were at stake.

It was a national election, the only independent jury from which reformers could seek an electoral judgment on their relative weight against the old guard. But all too quickly the authoritarian tradition in the Gaullist party reasserted itself, and the reformers fell meekly back into line.

The opportunity to mount an effective challenge to Jacobin structures of the party was lost, probably for several years.

For almost a year after his crushing defeat in the 1988 Presidential election, Mr Jacques Chirac was manifestly demoralised, and largely absent from the arena.

Recently he appears to have recovered his morale somewhat, and is said to be planning to take charge of his party again. It is probable that he will remain the leader of the Gaullist party for the foreseeable future; and that he will be the favourite right-wing candidate in the 1995 Presidential elections.

It is also probable that, in the absence of a re-alignment of the right-wing parties between now and then, he will again go down to defeat.

In the meantime, the Rocard government looks like having a longer life-expectancy than the cynics were predicting a year ago; and unless Mr Michel Rocard starts to make serious mistakes, the political scene in France may start to look peaceful, or even dull.

Still, dullness can have its compensations, when one looks at the Soviet Union, China, Argentina or Iran.

Ian Davidson on the growing pains of an improving economy

A policy of prudence and caution

THE FRENCH economy, in common with many other countries in the industrialised world, has put in an exceptional performance during the past year, far better than had been forecast in the wake of the stock market crash of October 1987.

"Exceptional" may seem strong, but it has the authority of the latest assessment of the Organisation for Economic Cooperation and Development (OECD) behind it.

Economic growth has been accelerating each year since 1983, and it was sustained last year at a considerably higher level than previously forecast. Moreover, investment has remained buoyant, job creation has been more vigorous than expected, and inflation has been held down.

Two significant black spots remain: a high level of unemployment, which threatens to rise higher, especially if the economic growth rate tails away; and a large trade deficit, which clearly points to a worrying weakness in the competitivity of French industry.

Neither of these exceptions to a generally cheerful economic picture has yet caused any political embarrassment to the government, nor are they proving serious enough to jeopardise its current prudent management of the economy.

On the contrary, the generally satisfactory performance of the economy can only confirm Mr Michel Rocard, the Prime Minister, and Mr Pierre Beregovoy, his Finance Minister, in the conviction that their cautious policy of fighting inflation and steadily reducing the budget deficit is on the right track because it is producing its own reward.

A year ago, the OECD was projecting French economic growth of 2 per cent for the whole of 1988. The growth rate turned out to be about 3.5 per cent, and this vigour is expected to be largely sustained through 1989, with growth of over 3 per cent, and possibly as much as 3.5 per cent.

Thereafter the rate of expansion is likely to flatten out, but it is still expected to show growth of over 2.5 per cent, according to the government's forecasts.

One of the main bonuses of the rapid growth rate has been the containment of unemployment. When the Socialists returned to power a year ago, the Prime Minister immediately forecast a substantial surge in unemployment during the remainder of the year.

On the one hand, the special employment schemes accelerated by the previous conservative government would run out of budgetary resources; on the other, it would continue to be difficult to provide jobs for all the teenagers joining the labour market.

Mr Rocard's prediction was partly based on political motives. No one was sure how the new Socialist government would fare or how it would be treated by the financial markets. Mr Rocard wanted to be sure of being able to divert the blame for any increase in unemployment.

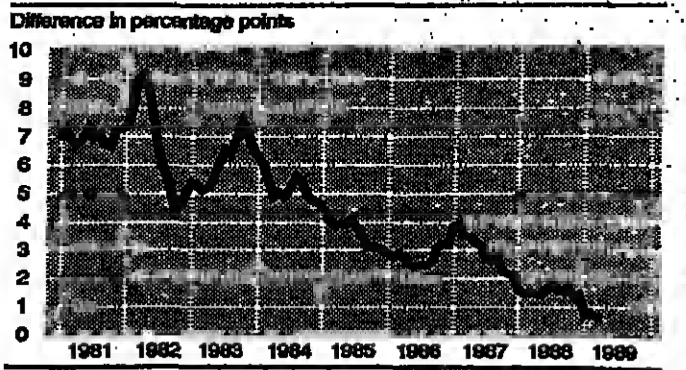
It was also solidly based in fact. France's birth-rate went on being more vigorous for longer than most of its neighbours. Consequently, France stands out in western Europe as one of the few countries whose active population is still rising strongly.

West Germany's active population is likely to fall from 28.2m people in 1987 to 25.7 in 2000. The British labour force will decline more gently, from

Inflation fighters: Michel Rocard, (left) and Pierre Beregovoy

Inflation differential: France–W.Germany

Difference in percentage points



27.8m to 27.2m; whereas the French figure will rise over the same period from 24.2m to 24.8m.

Mr Rocard's pessimism proved to have been quite excessive. During the years 1984-1987, France had been losing jobs at an average rate of 53,000 a year, and unemployment peaked in 1987 at over 11 per cent. But in 1988 the trends started to be reversed.

The level of job losses in industry declined, 200,000 jobs were created elsewhere (mainly in the service sector), and the rate of unemployment started to come down towards 10 per cent.

The foreign trade problem is proving more recalcitrant. After a small surplus in 1986, the balance plunged to a deficit of FFr31bn in 1987, and FFr33bn in 1988.

The early months of this year appeared to be pointing towards an improvement; but the latest monthly figure, for April, was again discouraging with another large deficit. The government is predicting a further increase in the overall deficit this year to FFr35bn.

The most worrying feature of the deficit is the sharp deterioration in the balance of industrial goods, which after years of sustained surplus dived to a FFr5bn deficit in 1987 and a FFr35bn deficit in 1988.

The surplus on weapons exports is holding up. Without it the civilian industrial deficit would be nearly twice as large.

One contested explanation which has been advanced for the French industrial deficit, is that French industry is much less specialised than its more successful competitors.

It is true that the deterioration seems to have affected most of the main branches of industry, with the exception of the car industry.

The agro-food and service sectors earn surpluses. This has prompted some economists to conclude that the traditional image of France as a country of food, drink and tourism, may be uncomfortably close to the truth.

The French current account deficit, as a share of gross domestic product, remains modest, and it is offset by a number of other more encouraging factors in the picture.

The growth of productive investment has been rising fast since the mid-1980s, and reached 9 per cent last year in the competitive sector, including 12 per cent in industry.

This upward thrust has not made good the sag in French industrial investment, which lasted for a decade after the first oil crisis; but it is pointing in the right direction.

The rate of increase in unit wage costs has been falling steadily since the first intoxicating phase of the socialist experiment in the early 1980s, and last year was 1.1 per cent.

Inflation has come down, from 6.7 per cent in 1984 to 3.1 per cent in 1988, on a par with France's trading partners.

Finally, the profitability of the French corporate sector has improved steadily since the early 1980s.

One of the main uncertainties facing the French economy, is how well it will perform in the *more rigorous* environment of the single European market of 1992.

This is primarily a dilemma facing French industry; but the government, too, is facing difficult choices, especially in the field of taxation.

One of the government's over-riding economic objectives is to bring down the budget deficit, as part of its general anti-inflation strategy. This budget strategy will inevitably be squeezed, both on the expenditure and on the revenue sides of the equation.

The overriding political project of the new administration, is the modernisation and up-grading of the education system lasting many years. This will call for a large increase in the size of the educational wage bill, both to motivate a demoralised and hide-bound teaching profession, and to recruit large numbers of extra teachers.

It is not surprising, therefore, that the government has already moved to economise elsewhere on the expenditure side, with a substantial downwards revision in the rate of increase in the programme for defence equipment purchases, even at the risk of being accused of jeopardising the political defence consensus in France between left and right.

This balancing act will not be self-financing, however. For the government faces the prospect that the single European market will require a sharp shrinkage in two of its most important sources of revenue, the value added tax, and the witholding tax on savings.

Value Added Tax rates are higher in France than in most other EC countries, and they will have to come down to avert the danger of a diversion of trade. France has the highest witholding taxes on savings, and the government admits that these must come down if France is to avoid a dangerous flight of capital.

These shadows on the economic outlook have not had any effect in diverting the French establishment from the common assumption that France's future economic well-being lies with a more open and a more integrated Community. More open in its markets and more integrated in with closer economic and monetary institutions.

Such ideas are not a natural part of French history. During the past ten years the Gaullists were still hostile, both to the idea of liberal market forces, and to closer institutional integration in Europe.

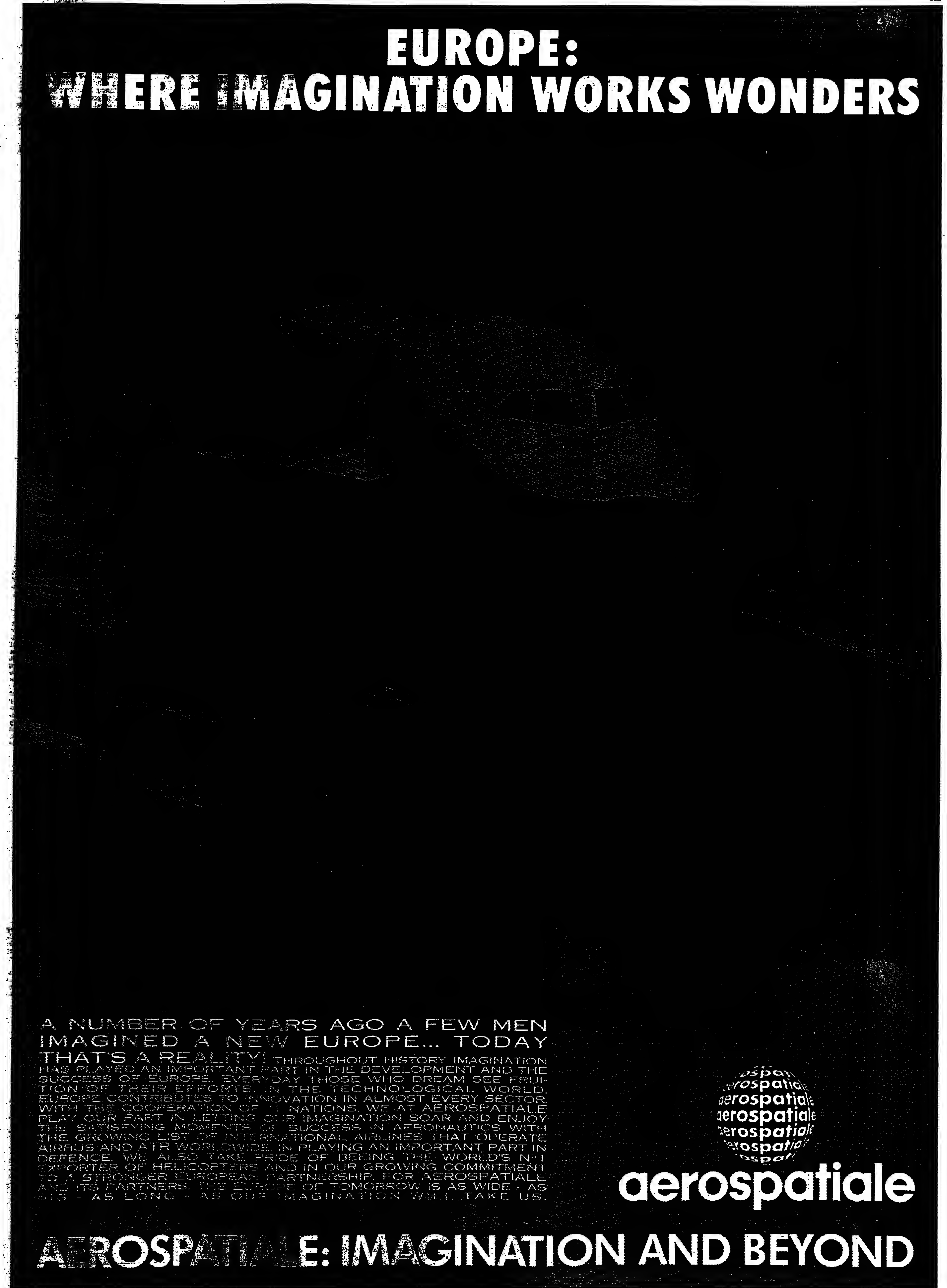
Within the past ten years, the Socialist Party still believed in nationalisation, interventionism and the autonomy of the French state. At the same time, French businessmen thought that their future depended on keeping the right side of the mandarins in the Finance Ministry, and the mandarins agreed.

During the same period, France's economic and business institutions have gone through profound transformations, to bring them more in line with other countries.

These changes do not necessarily feel all that comfortable to the French. Beneath the surface gloss of modernity and internationalism, quite often one can detect traces of the old corporatist and protectionist reflexes.

Old habits of thought die hard, and the contrast between them and Europe's unprotected market of the future, sometimes shows up in economic and business leaders as chronic anxiety.

Not long ago, Mr Jacques Delors, President of the European Commission, was asked if he did not agree that the French, of all the Community member states, were the most interested in the single market. Yes, he said; "and the biggest cry-babies too."



EUROPE:
WHERE IMAGINATION WORKS WONDERS
A NUMBER OF YEARS AGO A FEW MEN IMAGINED A NEW EUROPE... TODAY THAT'S A REALITY! THROUGHOUT HISTORY IMAGINATION HAS PLAYED AN IMPORTANT PART IN THE DEVELOPMENT AND THE SUCCESS OF EUROPE. EVERYDAY THOSE WHO DREAM SEE FRUITION OF THEIR EFFORTS. IN THE TECHNOLOGICAL WORLD, EUROPE CONTRIBUTES TO INNOVATION IN ALMOST EVERY SECTOR. WITH THE COOPERATION OF 11 NATIONS, WE AT AEROSPATIALE PLAY OUR PART IN LETTING OUR IMAGINATION SOAR AND ENJOY THE SATISFYING MOMENTS OF SUCCESS IN AERONAUTICS WITH THE GROWING LIST OF INTERNATIONAL AIRLINES THAT OPERATE AIRBUS AND ATR WORLDWIDE. IN PLAYING AN IMPORTANT PART IN DEFENCE, WE ALSO TAKE PRIDE OF BEEING THE WORLD'S N°1 EXPORTER OF HELICOPTERS AND IN OUR GROWING COMMITMENT TO A STRONGER EUROPEAN PARTNERSHIP. FOR AEROSPATIALE AND ITS PARTNERS, THE EUROPE OF TOMORROW IS AS WIDE - AS BIG - AS LONG - AS OUR IMAGINATION WILL TAKE US.
aerospatiale
AEROSPATIALE: IMAGINATION AND BEYOND

A Gaullist approach to foreign policy has been maintained under Mitterrand, reports **Ian Davidson**

Contradiction of independence and alliance

BY CUSTOM and practice, going back to the original precedents set by General de Gaulle, France's foreign and defence policy has always been a domain specially reserved under the Fifth Republic for the President.

President François Mitterrand has sustained this tradition with as much vigour and seriousness as any of his predecessors.

The routine management of most domestic issues he may leave largely in the hands of the Prime Minister and the government; but the large policy decisions on defence and foreign affairs are all taken by the Presidency at the Palace of the Elysée.

Indeed, this concentration of Presidential anthority has if anything increased in the past 12 months.

During the two years of "cohabitation" from 1986 to 1988, there was a sense of competition in the foreign policy field between the socialist President in the Elysée and the gaullist Prime Minister at the Hotel Matignon.

In the event of outright disagreement on large policy issues, President Mitterrand could always impose his will on Prime Minister Jacques Chirac, and did so from time to time.

On a number of issues, Mr Chirac's government managed to keep the conduct of events in its own hands, in ways that were quite untraditional.

It was the Chirac government, for example, which actively pursued the revival of the seven-nation Western European Union defence grouping.

As a result, the WEU option for strengthening European defence cooperation became "tainted" as far as the Elysée was concerned, and is no longer being actively pursued.

It was the Chirac government which procured the release of Mr Wahid Gordji, an Iranian wanted for questioning in connection with terrorist attacks in Paris in 1986; and it was the Chirac government which negotiated the return of three French hostages held in the Lebanon.

The sense of potential tension between the Elysée and the Matignon naturally ceased abruptly after the socialists returned to power about a year ago.

Manifestly, Prime Minister Michel Rocard is deeply interested in both defence and foreign policy. From time to time, he expresses his interest and his point of view.

In practice, he does not attempt to pursue an independent line, let alone interfere in the elevated prerogatives of the Presidency.

The personalised conduct of foreign and security policy has had mixed consequences. Occasionally, it has resulted in public initiatives which may appear more spectacular than substantial.

In January the French hosted an international conference in Paris which called for more urgent steps to ban chemical weapons.

In March they were largely instrumental in promoting an international conference in The Hague to call for more effective environmental protection of the atmosphere. Both were worthy events; but it may be doubted whether they materially advanced matters.

Where the President's personalised conduct of policy is most ambiguous, or even internally contradictory, is in the field of defence.

On the one hand, President

Tension between the Elysée and the Matignon ceased on the return of the socialists

Mitterrand sticks uncompromisingly to the traditional Gaullist doctrine of French national independence, free from the toils of Nato's integrated military structure.

On the other hand, he asserts with increasing frequency France's whole-hearted loyalty to its allies, and its commitment to the defence of western Europe. He has sought to translate that commitment into practice, through a special defence relationship with West Germany.

The Gaullist half of this Janus-like posture is no doubt soundly based on domestic political considerations.

Among all the countries of western Europe, France has been more or less unique in enjoying a domestic defence consensus, without any significant anti-nuclear protest movement to contend with.

It is often claimed that this consensus is mainly due to the doctrine of national independence.

The voters have confidence in the French nuclear deterrent, because it is under the independent control of the national government. In this case it is understandable that President Mitterrand should be anxious not to do or say anything which might disturb it.

The over-riding principle of France's foreign policy, however, is that the country is set firmly on the path to closer economic and political European integration.

Over time, political integration implies movement towards security and defence integration.

Yet there is an obvious practical contradiction between the apparently immutable principle of French national independence, and the implementation of the principle of Alliance and European solidarity.

Ever since 1982, President Mitterrand has sought a way out of this contradiction.

He has zealously built up a bilateral relationship with West Germany, including a bilateral defence relationship. This has been expanded to include joint manoeuvres, a joint Franco-German brigade, and a Franco-German Defence Council which held its inaugural meeting earlier this year.

These moves have been welcomed by the Germans – indeed the Franco-German brigade was a German idea.

On political grounds, both governments set store by a relationship which consecrates the principle of post-war reconciliation, and which links together the two main powers on the continent of western Europe.

Indirectly, the close links between Paris and Bonn have long proved a large factor in the civilian construction of Europe. More often than not, France and West Germany have worked together in the European Community, and when they have done so, their joint influence has been considerable.

In the defence field, however, the bilateral relationship appears to be stuck in a dead end.

The problem is that it does not appear to imply any change in the untonchable principle of French national independence, and it cannot displace West Germany's primary defence relationships, which are bilateral with the US and multilateral with the rest of Nato.

It is perhaps not surprising that some sense of disenchantment appears to have set in on the French side.

In his most recent extended disquisition on the defence of France, before the National Defence Institute last October, President Mitterrand singled out the Franco-German relationship as the most significant step towards a more integrated European defence.

He said nothing, however, to suggest that he had discovered how to reconcile France's national destiny with the European context, nor how to go beyond the Franco-German relationship to a truly European defence.

Concentration of Presidential authority has increased in the past 12 months

The general impression given by his speech was that of a statesman who had run out of new ideas, and who was petulantly marking time.

France's national defence policy may have domestic advantages, but it clearly has some international disadvantages.

In 1983 President Mitterrand publicly urged the West Germans to deploy the new Euromissiles, in the absence of east-west arms control negotiations.

Today, as a non-participant in Nato, France has seemed ill at ease in adopting any position on the future of Short-range Nuclear Forces (SNF) in Europe, reluctant to support the Americans against the Germans, or the Germans against the Americans.

The compromise adopted at the Nato summit may suit the French reasonably well, so long as French aircraft are not dragged into any future Nato-Warsaw Pact negotiations. But it cannot be said that the French government played an important part in the process, and it appears not to have been seriously consulted either by the West Germans or by the Americans.

The sense of indecision in French defence policy has been reinforced by the recent decision to cut back the planned volume of defence equipment expenditure over the next four years, from FFr470bn to FFr438bn.

The economic pressures for a cut-back were irresistible. The reform of the education system will cost a great deal of money, the Single European Market will require the downward harmonisation of France's high value-added and witholding taxes; and the government is committed to a steady reduction in the budget deficit.

Something had to give, and the President had already conceded that the defence budget could not be sacrosanct.

It appears, however, that the compromise figure finally adopted for the cut-back was arrived at on political, not on policy grounds.

It was half-way between the claims of the Defence Ministry and the demands of the Finance Ministry; but it did not apparently rest on any fundamental choices on France's long-term defence missions.

Advance leaks had strongly hinted that one or more of France's main new systems would have to be axed, and speculation suggested that this might include the new aircraft carrier Charles de Gaulle.

Called on to arbitrate, the President decided that no large weapons system would be cancelled; therefore, a large number of systems will have to be trimmed in numbers, or stretched out over time, or both.

But no sense was conveyed that this defence review was being conducted as a function of the alliance context, or of President Mitterrand's aspiration to build a more integrated European defence posture.

The new lower spending targets will still represent significant real increases in each of the next four years; but one of the results of the scale-back is that French military capabilities will be shaved.

In the face of Mr Gorbachev's revolution in the East, only Britain and France have the weight to give a lead to their neighbours in western Europe.

Mrs Thatcher seems determined to ensure that Britain remains a marginal figure both in Nato and in the Community; and President François Mitterrand appears hamstrung by the shackles of the past.

Paul Betts and **George Graham** outline the profiles of ten of the country's leading and sometimes most controversial businessmen

MR FRANÇOIS CARIES
COMPAGNIE FINANCIERE DU CIC

Mr Cariès came to the head of CIC, a federation of regional banks, with the advantage of seven years with the group. He was chairman of Banque de l'Union Européenne, its international arm, from 1982 to 1986.

More recently he was special adviser to Mr Jean Saint-Geours, whom he succeeds. He will have to live with a new parent, since the government has handed control of CIC to the state-owned GAN insurance group and will have to deal with continuing losses at CIC-Paris, the group's main operating subsidiary.

MR JEAN PEYRELEVADE
UNION DES ASSURANCES DE PARIS (UAP)

An unconventionally casual figure in the grey-suited world of French finance, Mr Peyrelevade was not universally welcomed when the last socialist government named him chairman of the newly privatised Suez group.

Dismissed in 1986 by the incoming Chirac administration, he found his niche in merchant banking at the small but fast-moving Banque Stern.

When the socialists returned to power, he was a natural choice to replace Mr Jean Dromer, over-committed to privatisation, at UAP, the largest of the state insurers.

MR FRANÇOIS HEILBRONNER
GROUPE DES ASSURANCES NATIONALES (GAN)

A long-serving civil servant, Mr Heilbronner was counsellor to Mr Jacques Chirac, the former right wing Prime Minister, who appointed him to GAN in 1986.

He has, nevertheless, survived the return to power of the socialists, in spite of doubts in some quarters over his strategy for the group and criticism of the role it played in the battle for control of Société Générale, the privatised bank.

Loïc Le Floch Prigent

Jean Peyrelevade

François Heilbronner

MR LOIC LE FLOCH PRIGENT

Mr Le Floch Prigent is another state industry boss dropped by the former right-wing government about to make a big comeback.

The former chairman of Rhone-Poulenc, the nationalised chemicals group, is widely expected to takeover next month as chairman of Elf-Aquitaine.

The bearded Mr Le Floch Prigent returned Rhone-Poulenc to profit but was replaced when the right returned to government because of his close ties with the Socialists. Ever since the return of the Socialists in government, he has been widely tipped as a candidate for a top state sector job.

MR FRANCIS MER
USINOR-SACILOR

In the best French engineering tradition, this 50-year-old graduate of the Polytechnique college passed from the industry ministry to the private sector, after 15 years for the St Gobain glass and pipes group before being summoned to the deathbed of the troubled French steel industry.

As head of both Usinor and Sacilor he has carried out a radical restructuring, allowing the group to announce its first profits for 14 years in 1988.

MR RENE THOMAS
BANQUE NATIONALE DE PARIS (BNP)

One of the great survivors of the state sector, Mr Thomas is among the rare chairmen nominated by the socialists to have kept his seat under the Chirac administration.

Sceptical of the right's insistence on privatising the banks, he has also criticised the left's refusal to open up their capital.

Now teamed with UAP through cross shareholdings and reciprocal marketing agreements, he is on his way to building the largest bank-insurance grouping in Europe.

MR BERNARD ATTALI
AIR FRANCE

The twin brother of one of President Mitterrand's closest advisers, Mr Bernard Attali was appointed chairman of Air France last summer.

Mr Attali had also been the victim of the right-wing purge

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Paul Betts reflects on the evolution of industrial policy that has occurred over the last 10 years

A more pragmatic free market approach

FRENCH industrial policy has undergone an astonishing evolution during the last decade.

Heavily interventionist at the beginning of President Mitterrand's first term, it embarked on an equally excessive liberal spree under the right-wing government of Mr Jacques Chirac before settling down to a more pragmatic and reflective free market approach following Mr Mitterrand's re-election last year and the socialist victory in the general elections.

This evolution in industrial policy has been eloquently reflected in the decision of Prime Minister Michel Rocard to appoint Mr Roger Fauroux, a seasoned French industrialist, as Industry Minister.

Mr Fauroux has a long and distinguished career behind him. For 25 years he worked at Saint Gobain, the French glass and pipes group, before running for two years the Ecole Nationale d'Administration (ENA), the French institution which has groomed generations of top politicians, civil servants and businessmen.

Ironically, as chairman of Saint Gobain, Mr Fauroux was on the receiving end of the heavy interventionism and *dirigisme* which marked the first phase of Socialist Government in the early 1980s.

This intervention coincided with the sweeping nationalisations by the socialists, including, among them, Saint Gobain.

Mr Fauroux, who launched Saint Gobain into a diversification into electronics, was forced by the government to divest the electronics assets which were redistributed to other nationalised groups.

By 1983, even before the right returned to government for two years in 1986-88, the left had already started to move towards more open market industrial policies. The excessive *dirigisme* of the first 18 months of socialism led France's newly nationalised industrial groups to protest to President Mitterrand against Mr Jean-Pierre Chevenement, then Minister of Industry.

Mr Chevenement, Defence Minister in the current government, finally resigned as Industry Minister and was replaced by Mr Laurent Fabius, future socialist Prime Minister, who favoured a less interventionist approach and underlined the need to modernise and restructure industry.

Although the large industrial groups remained under state control, they were given greater freedom and were encouraged to internationalise their operations and forge alliances with foreign partners.

The defeat of the socialists in the 1986 legislative elections heralded a two-year period of intensive industrial and financial liberalism under the right-wing administration of Mr Jacques Chirac, RPR leader.

A nnmber of indnstrial groups, Saint Gobain among them, were privatised again. Mr Alain Madelin, the right-wing Industry Minister, also embarked on a crusade to promote the virtues of free market policies and to attack the evils of interventionism.

With the arrival of Mr Rocard, and Mr Fauroux as the new Industry Minister, the era of excesses appears to be over, at least in terms of French industrial policy.

"The state must hold back from intervention," he argued in an interview with the Financial Times soon after taking over the industry portfolio.

Mr Fauroux regards himself not so much as a Minister of Industry but as a "minister of enterprises," to underline his idea that industry is undertaken by industrialists and not politicians. He has also sought to adopt an attitude of pragmatic continuity with the recent evolution in French industrial and business attitudes, although he has inevitably faced his fair share of political controversies.

Defeat of the socialists in 1986 heralded a two-year period of intensive industrial liberalism

These have inclnded the recent government decision to replace Mr Michel Pecqueur as chairman of Elf-Aquitaine, the state-controlled oil group, by Mr Loik Le Floch-Prigent, a former chairman of the nationalised Rhone-Poulenc chemicals group dropped by the previous right-wing Government for political reasons.

Although Mr Fauroux pledged not to indulge in the traditional political witch-hunts which have shaken the executive suites of large state enterprises after every general election in France, political pressures have inevitably prevailed in some cases. However, the government has tried to limit changes at the top of state groups, placing the emphasis on the industrial qualifications and track record.

Mr Fauroux makes a point of saying that it is not reasonable to change managers for political reasons in a country like France where, he acknowledges, "there is not all that much talent to spare."

For French industry the challenges and problems are manifold. Although the bulk of industrial restructuring has been undertaken the government continues to be worried by the unsatisfactory competitiveness of French industry, the heavy industrial goods trade deficit and the need to support the development of small and medium-sized enterprises.

The prospect of a single European market by 1993 has also had a catalytic effect on French business attitudes and developed a growing awareness and acceptance of global competition on the part of French enterprises.

In recent years, large French state-owned and private groups have intensified their acquisitions and investments abroad, especially to increase their economic mass and penetration in western Europe and the North American market.

During the last few years, French companies have adopted a bolder approach to joint ventures, partnerships and foreign takeovers.

Large groups like Thomson, the state-controlled defence and electronics group, or Compagnie Generale d'Electricite (CGE), the privatised telecommunications and heavy engineering group, have embarked on ambitious international expansion strategies involving big acquisitions.

Thomson acquired the RCA consumer electronics business of General Electric in the US, while CGE took control of ITT's telecommunications assets at the same time as merging its Alsthom engineering operations with the power division of General Electric Company of the UK. These moves are to help these French groups acquire the necessary critical size to compete.

The government has made it clear that it wants to encourage this trend towards greater internationalisation of French industry. In the case of state-controlled groups, Mr Fauroux has re-introdnced a system of three-year strategic plans to help the government follow closely and support the international development of nationalised groups.

Indeed, Mr Fauroux recently said that the government would give the financial backing as a state shareholder to help nationalised companies finance their international development. But the Government has also emphasised that state-controlled groups would now be treated as "normal companies" operating in an international free market environment.

With Mr Rocard, and Mr Fauroux the era of industrial excesses appears to be over

Renault is a case in point. The government has argued with the Commission in Brussels that its decision to grant the state car group a FFr12bn debt write-off was the final process of the "normalisation" of Renault as an ordinary company. Although the Renault issue is still the subject of heated debate in Brussels, the French authorities claim that after the deht write-off the state car group will receive no more state financial support and will be treated as an "ordinary company."

The government has said there is no qnestion of new nationalisations in France. At the same time, however, it has made it clear that there will be no new privatisations, for the time being at least. But the government is already addressing the pressing problem of giving nationalised enterprises easier access to the capital markets to finance their development and acquisition strategies.

While adopting a free market approach to industrial policy, the government nevertheless intends to continue supporting what it considers "strategic industries" like aerospace, computers, defence, space and telecommunications. But it has also been seeking to shift the emphasis of state aid to support the development of small and medium-sized companies.

In the past, French governments have devoted the bulk of state financial support to a dozen or so large industrial groups. As a consequence, smaller groups have not had access to the same degree of direct or indirect state support as has been the case in other industrialised countries.

The authorities have sought to encourage the development of the small and medium-sized husiness sector hy lowering interest rates on loans and a variety of other instrumeots. This policy of devoting greater attention on small business development helps to support the growing trend of management buy-onts and veoture capital that has been relatively slow to take-off in France.

Moreover, Mr Fauroux has sought to give greater power to the regions to back industrial development. Iodeed, with decentralisation during the last few years, there have already been encouraging signs of industrial development on a small and medium-sized business basis in several parts of the country. This has been matched by a closer integration between national laboratories and scientific institutes, regional universities and local industries.

While adopting a more aggressive approach to foreign acquisitions and expansion, French enterprises, both large aod small, have become increasingly worried by the general take-over trend which has swept French industry during the last two years and is likely to intensify with the approach of 1993. The government is pushing through legislation to tighten French take-over regulations. But senior government officials also see virtues in takeover bids because they help industry move and evolve and they stimulate the financial markets.

It is no accident that the last few years have seen the arrival of a generation of successful young businessmen.

These men, like Mr Bernard Arnault, the young chairman of Louis Vuitton Moet Hennessy (LVMH) luxury group, or Mr Vinceot Bollore, who has built up his own conglomerate, have unruffled the traditional French establishment and injected s oew lease of life in French business. Their emergence is one of the most eloquent signs of change

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in the state sector when he was replaced as chairman of the GAN state insurance group. Another product of the Ecole Nationale d'Administration, Mr Attali had been running the French side of Commercial Union, the UK insurance group, before landing the Air France job.

MR JEAN-YVES HABERER CREDIT LYONNAIS

Appointed chairman last autumn, Mr Haberer has wasted little time to launch France's second largest commercial bank on an aggressive European expansion programme with acquisitions in Italy and Belgium.

Mr Haberer has had the classic career of the high flying French civil servants. A graduate of the elite Ecole Nationale d'Administration, he was director of the French Treasury between 1978 and 1982. He was then appointed as chairman of the Paribas bank until he was replaced at the top of the French investment bank by the right-wing government of Mr Jacques Chirac in 1986. But Mr Haberer has now made a big comeback with Credit Lyonnais.

MR JEAN-RENE FOURTOU RHONE-POULENC

Just reconfirmed as chairman of the Rhone-Poulenc nationalised chemicals group, Mr Fourtou's job had long been in the balance because of his earlier political links with the centrist UDF opposition party.

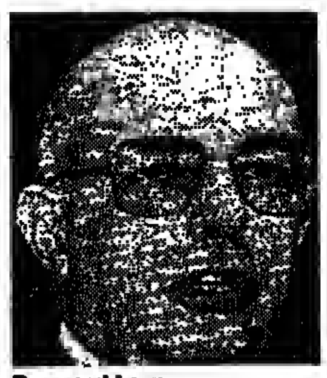
His replacement of Mr Le Floch Prigent at Rhone-Poulenc in 1986 provoked a controversy at the time. But Mr Fourtou's track record at Rhone-Poulenc has proved successful.

Mr Fourtou managed to increase the chemical group's overall profitability. His strategy has been to embark on a series of large US acquisitions to increase the competitive size of his company's core businesses while shedding non strategic assets.

MR RAYMOND LEVY RENAULT

Appointed chairman of Renault after the tragic death of Mr Georges Besse, Mr Levy has pursued and accelerated the recovery strategy of his predecessor at the state-owned car group.

His management was crowned with success when Renault reported record profits of nearly FFr9bn in 1989. A former senior executive of the Elf-Aquitaine oil group.



Raymond Levy

Mr Levy was chairman of the Usinor steel group between 1982 and 1984 and then chief executive of the Belgian Cockerill Sambre steel group before taking over at the top of Renault three years ago.

World of consensus and negotiation

Continued from Page 1

become an imperious necessity for all European countries.

Not long after the French socialists came to power in 1981, they discovered that France was compelled by its dependence on international trade to conform to the criteria of the foreign exchange markets. When the Gaullists came to power in 1986, they were unable to pretend, in the face of the new international economic reality, that they could offer a plausible economic model of protectionism and Colbertist interventionism.

The new public consensus on Europe, as the centre-piece of France's economic and political foreign policy, is a symptom of the new moderating trend in French politics.

In the Gaullist party it is a recent and sudden conversion, which leaves many traditional supporters at a loss. It may not be all that popular with traditional supporters of the Socialist party, either. But in both cases the leaderships can think of no alternative. Here and there they may set up temporary nationalist dykes, but circumstances appear to drive them ineluctably towards an integrated European market.

One of the symptoms of the new mood of moderation is that, for the past three years, the electorate has rejected strong majority government. For two years, from 1986 to 1986, France experienced the novelty of "cohabitation," in which power was shared between a socialist President and a Gaullist Prime Minister. During the past 12 months, for the first time in the 30-year history of the Fifth Repuhlic, France has been governed hy a minority government. It is as if the voters had been determined, in both cases, to secure government which would be prudent and considerate.

The consequence of minority government since 1988 has been a further innovation: Francs's democracy has started to look less Presidential and more Parliamentary. This is not at all what General de Gaulle had in mind when he drafted the constitution; but it is the unavoidable corollary of minority government, which is obliged to negotiate its way with tact and consideration among the preferences of the members of the National Assembly.

The natural temptation is to assume that minority government must be permanently vulnerable to the risks of defeat, and therefore in permanent danger of being unbalanced.

This assumption is obviously logical. Yet so far it appears that the government is carrying off its balancing act with great aplomh, and enjoying remarkable popularity. Perhaps, therefore, the French people are discovering that they actually prefer government which is vulnerable in theory and prudent in practice.

Financial Markets

Reform and regulation

SINCE 1982, France has carried through a large overhaul of its financial markets, sweeping away a range of administrative controls and subsidies and profoundly altering the way the economy is financed.

Under the distant gaze of Jean-Baptiste Colbert, the 17th century finance minister whose centralising spirit has long presided over the labours of the French civil service, bright young Treasury officials such as Mr Daniel Lebègue, Mr Jean-Charles Naouri or Mr Jean-Claude Trichet pushed through a series of reforms aimed at handing over a considerable portion of their own power to market forces.

Mr Pierre Beregovoy, under whom much of this reform began, is now a year into his second term of office as finance minister, following a two year interlude under the right wing Mr Edouard Balladur.

But bankers and financial market analysts wonder if Mr Beregovoy still has as clear an idea of the direction in which he wants to take the financial markets as he appeared to have in his first term, from 1984 to 1986.

Three forces, often mutually contradictory, appear to have slowed down the process of change: the mounting demands of the European Commission as the Community moves towards a single internal market; the ambitions of the private sector, testing the limits of its new-found freedom from finance ministry controls; and a growing sensation that deregulation might have gone too far, and that the time has come to reimpose some rules.

The ground covered is impressive, partly because France started from a position where it excelled almost all its main trading partners in the number and weight of the distortions to the market enshrined in credit subsidies, government controls and vested monopolies.

The most eye-catching development has been the burgeoning of new markets; FFr470bn of traded Treasury bills, FFr380bn of certificates of deposit, FFr80bn of commercial paper, interest rate futures on the Matif market trading 63,000 contracts a day, stock index futures and traded options in the stock exchange.

Alongside these new products, more traditional markets have been refurbished and have expanded dramatically. The government bond market, previously supplied with a series of tailor-made bonds carrying a bewildering array of costly tax breaks and special indexation clauses, has moved over to a system of regular monthly auctions.

The result has been a surge in the volume of transactions: from FFr280bn in 1985, to FFr2,455bn in 1988, with the big OATs, or Obligations Assimilables du Trésor, ranking among the most liquid bonds in Europe.

In the process, the Treasury reckons it has trimmed around

Lebègue: reformer

50 basis points off its average borrowing costs, through the increase in competition and in market efficiency.

The success of the government bond market may have diverted investors away from the private sector bond market: where volume in the secondary government bond market grew nearly nine times between 1984 and 1988, trading in the issues of state-backed institutions and of private sector companies little more than doubled.

All the same, new bond issues by the private sector – many of them spiced with an equity component such as convertibility or attached warrants – have recovered to total over FFr100bn in each of the last years.

In the equity market public new issues climbed to a peak of FFr62.8bn in 1986 before halving to FFr31.7bn in 1988, in the wake of the October 1987 crash. Trading volume, however, which had fallen off from an average of FFr2.17bn a day in the nine months before the crash to FFr1.56bn in the nine months following it, has recovered to FFr2.3bn a day in the first four months of this year.

Perhaps more importantly, the walls between these previously cloistered segments of the capital markets have been broken down. Instead of the multitude of closed financing circuits of a decade ago, funds can flow relatively freely from any segment to another, arbitrated by the market.

An important stimulus to this was the development of institutionalised investment, encouraged by legislative changes improving the status of Sicavs and Fonds Communs de Placement, the two French forms of mutual fund.

France has FFr1,150bn invested in Sicavs – nearly 60 per cent of it in short term money market substitutes – and at least FFr350bn more in FCPs.

At the same time, financial institutions have changed in character. The traditional commercial banks have expanded their market activities to compete with the so-called "mushroom" banks, specialised treasury and financial market intermediaries which sprang up all over the place to profit from Paris's booming markets.

Stockbrokers, somewhat more reluctantly, saw their Napoleonic status and privileges stripped from them by a 1987 reform law introduced by Mr Balladur. Many have now allied with a bank, French or foreign, to provide the capital they needed to compete in the future.

Yet the impetus for carrying through the process of reform – an impetus which at first came from the finance ministry, appears to have faded. Attempts by the private sector to take up the baton, such as the OMF future market set up to rival the official Matif, have often ran into difficulty with the administration.

In the first place, the government has already stormed most of the easily attackable bastions. Those that remain, such as monopoly on tax-exempt savings books held by the Caisses d'Epargne network, are more difficult to assault, or else require the government to abandon tax revenues in exchange.

Second, the slow progress of the Commission towards harmonised EC rules on subjects such as takeover regulation delays French legislation on the same themes, or at least provides an excuse for delay.

Third, the government appears to have become uneasy about taking liberalisation too far. Taking its lead from a televised tirade by President François Mitterrand against the vices of "easy money," the government has developed a renewed taste for regulation – without, however, developing a clear conception of how this regulation should be applied.

A bill on "the safety and transparency of the financial markets," increased the powers of the Commission des Operations de Bourse (COB), France's stock market regulatory body, and modified some takeover rules. This bill illustrated the ambiguity of the government's position and that of the right wing opposition, which has originated many of the ideas in the text only to change horses and denounce its own initiatives.

The bill, which smelt distinctly of a hurried attempt to head off public criticism in the wake of the Pechiney insider trading scandal, was heavily amended as it passed through the National Assembly.

On its way through the Senate, however, it was amended further. A joint committee of the two houses will have to sort out the final text, but in the meantime the institutions to which it will apply are in the dark over whether the COB will or will not be a government-controlled organisation and whether it will or will not have both investigative and punitive powers.

On introducing the bill the government announced that it would include the obligation for an investor exceeding one third of the capital of a listed company to launch a public bid.

That clause, however, is not in the text of the bill and is to be left to the COB to decide, once its new powers are conferred.

French bankers are still thrilled that they have escaped the complexities of the UK's Financial Services Act. Nevertheless, many of them are beginning to wish that their government would make up its mind whether it is going to regulate the financial markets itself or hand power over to a self-regulatory system.

George Graham

Banking

Harvesting the fruit of activity

WHEN 99 per cent of the adult population has a bank account – a position France reached in 1984 – and one bank branch is open for every 1,169 inhabitants, competition for market share starts to become difficult.

Declining interest rate margins on loans to both corporate and individual customers, combined with the inroads made by new suppliers of financial services such as supermarket operators or direct marketing specialists, make life still harder for the banks.

Bank supervisory authorities are imposing more stringent capital adequacy requirements, prompting their flock to take a sharper look at the risks they accept on and off their balance sheets, and at the rewards they can hope to draw from them.

Three bank collapses in the space of nine months – Al Saudi Banque last October, Banque de Participations et de Placements in March and United Banking Corporation in May – have helped to concentrate the minds both of supervisors and of other banks.

Even if all three were special cases, the additional examples of BAII, UBAF and BIAO, all of which have had to call on their shareholders for help with their portfolios of sovereign credit risks, have forced the message home.

Yet the picture presented by France's largest banks was more varied in 1988. Mr Jean-Yves Haberer, newly installed at the head of the state-owned Crédit Lyonnais, reported the worst results, as heavy losses on the bank's London securities market activities and a sharp increase in developing country debt provisions cut net profits by 7 per cent to FFr2.06bn.

"We have arrived at a moment where creditors will be asked to abandon debts – governments, but also commercial banks," he warned.

Mr René Thomas, chairman of the Banque Nationale de Paris (BNP), largest state-owned bank, was more comfortable with an 8 per cent increase in net profits to FFr3.06bn.

"We did not sell any buildings, we did not sell any shares. This is the fruit of our activity, not of passive wealth," Mr Thomas said.

Mr Marc Viénot, whose privatised Société Générale produced a 28 per cent rise to FFr3.04bn, was more modest, though his bank maintained its status as the most profitable of the "three old ladies."

"I think we can risk the adjective 'good' instead of adequate," he said. Société Générale, in particular, has, since its privatisation in June 1987, done its best to restore the French banks' reputation for modest profitability.

The reputation stems in part from a traditionally large volume of interbank dealing in their balance sheets, which reduced their apparent return on assets, and in part, also, from the reluctance of the

Pebereau: stakebuilder

nationalised banks to pass on their profits to their shareholder, who in return showed extreme reluctance to supply them with fresh capital.

The application of the Cooke capital adequacy ratios agreed by central bankers at the Bank for International Settlements in Switzerland changed the ground rules for private and public sector banks.

"The Cooke ratios impose a much higher level of profitability on us. We will have to increase our margins, both through higher tariffs and through reducing our expenses," comments Mr Bruno de Maulde, chairman of Crédit du Nord, the commercial banking subsidiary of the Paribas group which returned to profit last year after a radical restructuring.

At the same time, French banks are adapting to a number of new challenges. The first is the challenge of the single European market, which simultaneously offers an irresistible opportunity for expansion outside France and a marked increase in the number of competitors looking at the French domestic market.

Outside France, the leading banks have been active in seeking to extend their activities. Crédit Lyonnais, which had expanded in northern Europe by purchasing the Belgian and Dutch subsidiaries of Chase Manhattan, took a sizeable step further with the 550bn lire acquisition of a controlling stake in Credito Bergamasco, a large private sector bank based in northern Italy.

Its rivals have not stood idle. BNP, for example, last year took over the UK mortgage business of Chemical Bank of the US, and it has cemented an alliance with Dresdner Bank of West Germany through an

de Maulde: return to profit

exchange of directors.

Société Générale, meanwhile, spent £50m on the purchase of Touche Remnant, the UK fund manager. Other smaller banking groups, such as Compagnie Bancaire, the confederation of specialist financial services companies belonging to the Paribas group, or Crédit National, which has shed its role of purveyor of subsidised loans to industry for a place in the competitive sector, have been developing European networks.

The second challenge is that of finding activities outside the credit sphere. There is still life in the traditional business of bank lending, but banks have increasingly to look for other sources of income. The most striking example has been the alliance between BNP and Union des Assurances de Paris (UAP), the state owned insurance company.

Besides exchanging shareholdings, the two state groups have embarked on a plan of cross-marketing banking and insurance products through each other's distribution networks. Some sources of income have dried up.

The flood of stock market commission income linked to the massive flotations of the privatisation programme in 1987, for example, fell by a third at most large banks last year.

Direct stock market operations, too, have proved costly in some cases. All three "old ladies" lost money on their London securities operations last year, but the losses ranged from FFr14m for BNP, to FFr50m for Société Générale and to FFr800m for Crédit Lyonnais, which earlier this month announced a restructuring of its subsidiary Alexanders Laing and Cruickshank and the sale of its private client stockbroking subsidiary Astaire and Co.

The third challenge for French banks comes on the level of their capital. The problem for the public sector banks is where they are to find new resources in order to meet the requirements of the Cooke ratios, given the government's refusal to privatise them, even partially, and its reluctance to inject its own funds.

For BNP, the UAP alliance brings an incidental capital boost, while the troubled CIC group has been placed under the control of the Groupe des Assurances Nationales (GAN), the third largest state insurer.

For the Crédit Lyonnais, on the other hand, the Caisse des Dépôts et Consignations, the central state financing institution, was called in to subscribe to a rights issue.

For the private sector Société Générale, which carried out a FFr2.835bn convertible bond issue last September, the problem is different.

It is not a question of how to raise money, but of who is to control the bank. Mr Viénot last autumn beat off an assault from Mr Georges Pebereau, whose company Marceau Investissement built up a 10 per cent stake last autumn, with the backing of the Caisse des Dépôts and, more covertly, of the finance ministry.

The episode knocked a hole in the finance ministry's oft-repeated credo of "no privatisation and no renationalisation," for if the government clearly refuses to let BNP and Crédit Lyonnais move to the private sector, it also appears to be unwilling to allow the privatised

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Paul Betts on the car industry's remarkable but painful recovery

A new industrial awareness

THE FRENCH car industry, one of the pillars of the country's industrial structure and by far France's country's biggest industrial employer, has staged a remarkable recovery during the last few years.

Indeed, the country's two large car manufacturers, the private Peugeot-Citroën group and the state-owned Renault concern, were on the edge of a financial precipice barely five years ago.

This spring the two groups reported record profits for 1988 of nearly FFr9bn each and shot to the top of the French corporate profits league.

Strong market demand in France and Europe has sustained the financial recoveries of both the Peugeot-Citroën and the Renault groups. But their comeback to the forefront of the international motor industry stage reflects the sweeping restructurings which both groups have undertaken coupled with new productive investments and the renewal of their respective model ranges.

In a sense, the French car industry led the way to the general restructuring and renewal of French heavy industry in the last decade and has perhaps contributed more than any other industry in changing labour and political attitudes towards industry during the last five years.

The catalyst was undoubtedly the decision of Mr Jacques Calvet, the chairman of the Peugeot-Citroën group, to take on the then Socialist government and the trade unions in late 1983. He announced a large job reduction programme and restructuring at the private company's Automobiles Peugeot division and subsequently launched a similar plan at Citroën.

Mr Calvet succeeded in pushing through his restructuring programme in spite of violent labour confrontations at Peugeot's Possiy car plant outside Paris. At the same time, both the government and the unions started accepting the need for restructuring as the only way to enable the car industry in France to survive and recover.

The restructuring in the car sector has been followed by significant restructuring in the country's car components industry which has recovered strongly in the last two years.

Valeo, the country's leading car components group, has staged an impressive financial recovery and embarked on an ambitious programme of internal and external growth.

The new French industrial awareness was even more eloquently reflected when the Socialist government led by Mr Laurent Fabius appointed Mr George Besse, one of the country's toughest industrial managers, to the helm of Renault.

The state owned car group had long been regarded as a bastion of the pro-Communist CGT union and a symbol of French state-controlled industry. But Mr Besse launched a large restructuring, involving huge job cuts, and was well on the way to succeeding when left-wing terrorists killed him outside his home in Paris in November 1986.

Mr Besse was replaced by Mr Raymond Levy, former Elf-Aquitaine oil company senior executive and head of the Belgian Cockerill steel group. He accelerated Renault's restructuring and recovery based on focusing the state car group around its core European car manufacturing activities.

Mr Levy pulled Renault out of its expensive US adventure of the late 1970s by selling the French group's controlling stake in American Motors Corporation (AMC) to Chrysler. He continued cleaning up the group's balance sheet, sharply reduced costs and restored a strong competitive spirit in the group.

The private Peugeot-Citroën group and the state-owned Renault, were on the edge of a financial precipice barely five years ago.

Both Peugeot-Citroën and Renault's recovery have been boosted by the commercial success of new models and the general renewal of the two groups' car range.

In the lower end of the market segment, the Peugeot 205 and the Renault 5 have continued to command strong penetration on the domestic and European markets. Peugeot subsequently introduced the 309 medium sized car, the larger 405 and is about to launch this autumn a new top of the range model to replace the 505.

After the successful launch of the Citroën BX, Citroën introduced the small AX and recently a new executive car, the XM.

Renault has renewed its middle range with the R21 and the R19 and improved its R25 top range model which will face tough competition from the two new Peugeot-Citroën executive models.

If the two French groups have now achieved their turnaround, both are apprehensive about the future. The higher than anticipated growth of the domestic French and European car markets during the last two years will be inevitably followed by a slowdown.

At the same time, the two French groups expect Japanese competition in the European car market to intensify during the next few years with the arrival of new Japanese production facilities in Europe.

Peugeot-Citroën and Renault have lobbied hard for protection against the threat of a Japanese onslaught into Europe. The French manufacturers argue for the need of a limited and gradual opening of the market to Japan coupled with a reciprocal opening of the Japanese market for European producers.

Although Mr Calvet and Mr Levy generally agreed on the European approach to the Japanese, they disagreed on several other important issues, especially on new European exhaust emission rules.

Renault has not objected to the latest European "clean car" standards, but Mr Calvet has vigorously criticised the use of catalytic converters claiming that they are inefficient and inadequate.

He recently said that 40 per cent of catalytic converters in the US had been shown to be defective. The Peugeot chairman supported the development of lean-burn "clean" engines rather than the hasty introduction of "inadequate" catalytic converters.

Moreover, he bitterly criticised the European decision-making process on this issue which he said was distorted by the rising political influence of the Greens.

The outspoken chairman of the Peugeot-Citroën group has openly criticised the French government's decision to retire FFr12bn worth of Renault debts as part of the balance sheet restructuring of the state car group.

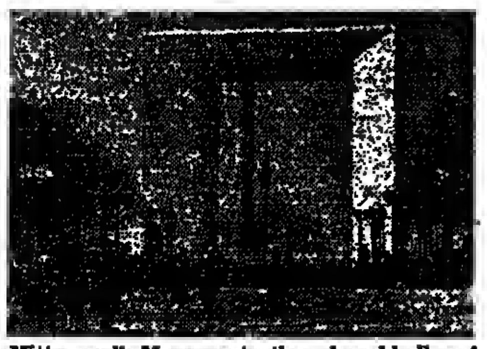
This issue is still the subject of negotiations and controversy between the French government and the European Commission following the decision of the new Socialist administration in Paris not to change the legal status of Renault

The previous right-wing government had agreed with the Commission to change the status of Renault to establish the state car group on an equal legal footing as other ordinary companies.

It also pledged that the FFr12bn debt write-off would be the last large injection of state aid for Renault

But the Socialist government was reluctant to change the Renault corporate status. Instead it offered Brussels other guarantees that Renault would now be treated as any other company and would no longer benefit from any special privilege because of its special statutes.

Renault and the Commission appear to have made progress on the problem of the state group's status, but Brussels is still not satisfied by the French restructuring commitments which are supposed to go hand in hand with the FFr12bn debt write-off.



Mitterrand's Monuments: the colossal hollow Arche de la Defense (left), the Grand Louvre and its attendant Pyramides (centre) and the new Opera House at La Bastille (right)

Ian Davidson looks at Mitterrand's architectural legacy

Building for civilisation

FRANÇOIS Mitterrand was determined that his tenure in the French presidency would leave behind a legacy of important public buildings.

He said a year after his election in 1981: "We will have achieved nothing if in the next ten years we have not created the basis for an urban civilisation."

His critics have from time to time derided his architectural ambitions, which they compare to the gargantuan excesses of the pharaohs.

President Mitterrand has paid no notice, and his ambitions are already becoming a reality. Some of the main projects which have come to fruition can not be claimed as part of President Mitterrand's legacy.

The Musée d'Orsay, the Museum of Science and Technology at La Villette, the Institut du Monde Arabe, and the development of the Defense site to the West of Paris, all received their original impulse before he came to power.

On the other hand, these schemes were given new impetus by the incoming President. After a review of budgets, the go-ahead was given for the Musée d'Orsay and La Villette. The Institut du Monde Arabe was given a more accessible site. The development of the site at La Defense was relaunched with a competition which has culminated in the vast Arche de la Défense, inaugurated in time for this year's Seven-Nation Economic Summit and the Bicentenary of the Revolution on July 14.

In the fullest sense of the expression, however, these are not Mitterrand's Monuments. That term can only be properly applied to the *Grand Louvre* and its attendant Pyramides; a new Finance Ministry overhanging the Seine at its upstream exile on the Quai de Bercy; the new Opera House at La Bastille; and the colossal hollow Arche de la Defense, which completes the straight-line perspective from the Louvre up the Champs-Elysées to the Arc de Triomphe, and down the Avenue de la Grande Armée to La Defense.

In time this list will be completed by a new national library, known as La Très Grande Bibliotheque (TGB), which is expected to be built on vacant railway land behind the Gare d'Austerlitz.

The Musée d'Orsay, lying on the Left Bank of the Seine across from the Grand Palais, started life as a railway station, which was opened in 1900 for the International Exhibition.

Its transformation into the principal museum for French 19th century art, and in particular for the works of the impressionists, was first launched in 1978, and the museum was inaugurated in 1986.

The heart of the La Villette scheme, first launched by President Giscard d'Estaing, was the vast and elegant cast-iron structure which once housed the main meat-market and slaughter houses just outside the north-east limits of Paris.

In a large urban park, the scheme includes a modernistic science and technology museum standing opposite a shiny spherical Geode which houses an ultra-modern surround-screen hi-tech film theatre. It will be completed, as President Mitterrand's own contribution, by a Cité de la Musique with concert halls and teaching facilities to ease the cramped conditions in the Paris Conservatoire in the rue de Madrid.

The Institut du Monde Arabe was founded in 1980 jointly by France and a large number of Arab governments. Its new building, on a corner site on the Left Bank overlooking the Seine, was inaugurated in 1987.

It is remarkable for a curved northern façade, and for a southern wall protected against the sunlight by an ingenious network of diaphragms which twist open or closed in response to photo-electric cells.

The true Mitterrand Monuments share one feature in common: they are all on a scale commensurate with his ambition to leave a lasting mark. Once the Finance Ministry has vacated the northern wing of the Louvre and the space has been reconverted to house works of art, it will expand the Louvre to make it the largest museum in the world: Le Grand Louvre.

Similarly, the Opera-Bastille which will take over from the existing Opéra, the 19th century Palais Garnier, will be the biggest in the world. Twice as large as the Metropolitan opera house in New York, with 2,700 seats in the main auditorium, ten backstages for storing sets.

The Arche de la Defense is equally overweening. It is in the shape of a hollow cube 105 metres on each side. It may not look all that much when contrasted with the surrounding skyscrapers of the Defense complex. It is not obvious from a distance, for example, that the internal space is as wide as the Champs-Elysées, which implies a large structural achievement for the horizontal beam.

Finally, there are the Pyramides in the centre of the Cour Napoleon of the Louvre, which will provide the new main entrance to the museum, via a large underground foyer, with bookshops, restaurants and auditoriums.

Not everyone has admired the external appearance of the Pyramides. Not everyone believes that it is sensible to restrict access to the Louvre to one narrow entrance. But the builders of the original pyramids intended them to be difficult to get into.

From the inside, however, the impression of light and space is deeply satisfying. For better or worse, this may turn out to be President Mitterrand's most lasting architectural monument.

Paul Betts raises his eyes to follow the ups and downs of the aerospace industry

Attention focusing on civil market

BUSINESS soared at the Paris air show this month. In the corporate chalets lining the runway of Le Bourget airport, the champagne flowed as aircraft manufacturers continued to chalk up big orders for their commercial aircraft and were deep in talks to negotiate new co-operation agreements.

The French aerospace manufacturers, as hosts of the show, were at the centre of the frenzied commercial and industrial activity at Le Bourget, reflecting the buoyant state of the civil aircraft market helped by expectations of continuing strong demand during the next 15 years.

However, this sustained demand for commercial aircraft has been offset by the contraction of the military market, which has traditionally accounted for the biggest share of the French aerospace industry's turnover.

This significant evolution in the market had important repercussions for the French industry. It accelerated the move towards greater concentration, rationalisation and international co-operation on the military side while it focused the attention of French manufacturers on the civil sector.

The military side, which since the 1960s has been the driving force of the growth and development of the French aerospace industry, accounts for more than half of industry annual turnover. But its share last year of the French industry's total sales of nearly FFr84bn fell to 57 per cent from 59 per cent the year before and about 70 per cent in the early 1980s.

This evolution is perhaps best illustrated by Aerospatiale, the French state-owned aerospace manufacturer, which for the first time saw its civil activities overtake military sales last year.

This trend is expected to be accentuated in coming years as a result of the much more sustained rate of growth in new civil aircraft orders compared with military orders.

Aerospatiale's civil aircraft operations, one of the leading partners in the European Airbus programme, with a 37.9 per cent stake in the four nation consortium, have been boosted by the recent marketing breakthroughs of Airbus as well as of its ATR commuter airline family built in co-operation with Aeritalia, the Italian aerospace group.

The successful response for the Airbus A320 airliner has also comforted the Airbus family

To meet the strong international market demand, Aerospatiale and its three other Airbus partners, Deutsche Airbus, British Aerospace and Casa of Spain, have undertaken efforts to boost production.

A total of 107 Airbus aircraft are to be delivered this year compared with 60 last year. The number is expected to rise to 134 next year, to 136 in 1991 and up to 200 aircraft in 1994.

The successful market response for the new Airbus A320 150-seat medium range twin engine airliner has also comforted the Airbus airliner family.

Production of the new medium range aircraft is expected to increase to 7 aircraft a month by the end of this year and 8 aircraft a month by the middle of next year. By the end of 1991, monthly production rate is expected to reach 10 aircraft.

Airbus and Aerospatiale recently announced the decision to launch a stretched version of the A320, called the A321-100, later this year. The 180-200 seater stretched version is expected to increase the total number of A320 family aircraft to be delivered during the next 20 years by an additional 400 airliners to about 1,400.

Aerospatiale is also building a FFr1bn new production facility at Toulouse for final assembly of the Airbus A330/A340 longer range larger aircraft programme. The company is introducing a new modular assembly complex in contrast to the traditional linear assembly system.

Although Airbus is a commercial and technological success, Airbus is trying to transform this marketing and technical success into an economic success.

However, the process of making Airbus economically viable is proving complex and has provoked strains between the four countries involved in the European consortium.

A new management structure has been put into place designed to streamline the consortium's management. The French partner is keen to see Airbus become economically more efficient and is anxious to protect its interest and has vigorously resisted efforts by West Germany to consider a second Airbus assembly facility in West Germany.

With the West German and British voices in Airbus growing louder, the French are also weighing up the implications of a gradual trend towards privatisation of the consortium.

This trend is likely to be accelerated following the privatisation of British Aerospace and the moves to take Deutsche Airbus into private ownership with the Daimler-Benz absorption of MBB.

The commercial success of Airbus has been complemented for Aerospatiale by the success of the ATR 42 and ATR 72 commuter aircraft programme.

Aerospatiale expects to deliver 53 ATRs next year compared with 49 this year and 48 last year. Deliveries should rise to 59 in 1991, 65 in 1992 and 69 in 1993.

By 1995, Aerospatiale says that some 250 Airbus and ATR aircraft should roll off its final assembly lines in Toulouse. In turn, Aerospatiale expects the sales of its aircraft division to increase from FFr10.6bn last year to FFr20bn in 1995.

In the longer term, Aerospatiale is studying a second generation supersonic aircraft based on the Concorde programme. It has been looking even further into the future by launching studies on a hypersonic aircraft called Avion a Grande Vitesse (AGV).

Aerospatiale's helicopter business has also enjoyed a recovery with renewed demand from offshore oil service companies and other civil customers.

In the military field, the French group is pursuing its co-operation with West Germany for the development of the new HAP-HAC/PAH combat helicopter and would like see the British government join in this.

Aerospatiale's strong involvement in the civil side of the business has helped the French state group sustain the general slump in the military export sector during the last few years.

In contrast, this has not been the case of the French Dassault group which has traditionally relied heavily on military jet export sales.

The stagnation of the military market has forced Dassault to close plants during the last few years – the company has just shut down another manufacturing facility at Toulouse – and reduce its workforce from just over 16,000 people in 1985 to 13,800 at the end of last year.

Dassault embarked in 1987 on its industrial rationalisation policy aimed at reducing production costs by 15-20 per cent over five years. It tried to reduce its dependence on the military aircraft business by continuing to develop its Falcon business jet sector.

Mr Serge Dassault, chairman, announced at the Paris air show the launch of a new business jet model and said that civil aircraft should account for about 35 per cent of the group's activities within five years time.

Sustained demand for commercial aircraft has been offset by the military market

He also said Dassault wanted to develop its presence in the space sector with the aim of building up the share of space activities in the group's total turnover from 2 per cent to about 10 per cent.

However, Dassault remains heavily dependent on its military jet business and export sales. The French government's recent decision to adopt a tougher stance on export credits to countries like Iraq have not helped Dassault which had been hoping to clinch a large deal for its Mirage jets with Baghdad. Nor has the government's decision to reduce the rate of growth in the country's five year defence programme helped.

Dassault is now hinging its longer term hopes on the Rafale, the new generation French fighter aircraft due to come into service in 1996.

The Rafale has been embroiled in a long-running political controversy in France, although the government recently renewed its commitment to the advanced aircraft which will compete against the four nation European Fighter Aircraft (EFA) programme.

Recent efforts to find partners for the Rafale were dealt a setback when both the Spain and Belgium decided not to participate in the French programme.

Dassault insisted that the company was in strong financial shape, that orders rose strongly in 1988 and would continue growing this year, and that it was well equiped to face the difficult transitionary period until the Rafale and other large-scale aerospace programmes come on the market.

The government and French aerospace industry analysts are anxious about Dassault. But there seems little prospect of a big restructuring of the French aerospace industry, which would probably lead to greater concentration in the industry and a link-up between Dassault and Aerospatiale.

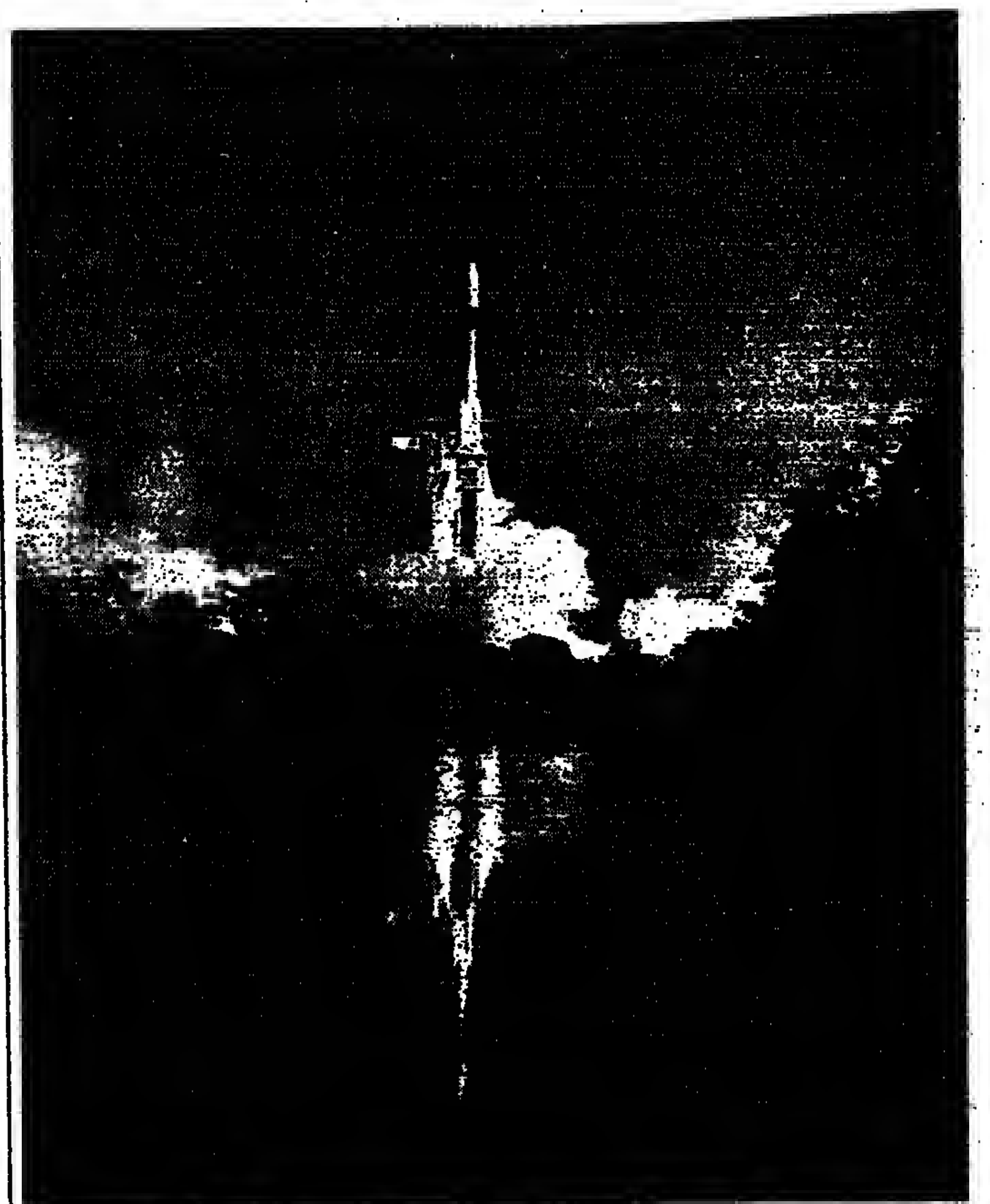
However, with large-scale changes taking place globally in the industry and the marketplace, many analysts see more concentration and rationalisation in France as inevitable.

Already, Aerospatiale and Thomson have merged their respective flight electronic activities, while Aerospatiale has signed a long term cooperation agreement with Lockheed of the US.

The intense discussions and deal-making at this month's Paris air show gave a clear indication of the shapes of things to come.

Ariane

The force behind the Euro rocket



Ariane has consolidated its position at the top of the commercial satellite launch business

FRANCE has always been the driving force behind Ariane, the European space rocket programme. This year it is celebrating the tenth anniversary of the first Ariane launch in style.

This is not surprising since Ariane has consolidated its position at the top of the commercial satellite launch business with more than 50 per cent of the world market.

"The last year and the first half of this year have been a major turning point for Ariane because we have clearly demonstrated our industrial and operational capacity," said Mr Frederic d'Allest, chairman of Arianespace, the commercial consortium which markets the European rocket, at the recent Paris air show

Indeed, the Ariane programme has entered a new commercial phase reflected in the sharp increase in Arianespace'a turnover last year to FFr3.67bn from FFr940mn the year before.

The programme has entered a new commercial phase

Over the last 21 months, Ariane has put 22 satellites in orbit, including 13 in seven launches last year and six more satellites in four launches during the first half of this year.

Since its first launch contract, Ariane has booked a total of 72 satellite launch orders worth more than FFr24bn. At the beginning of June, Arianespace's order book stood at 34 satellites worth a total of nbont FFr14.5bn.

Ariane has successfully introduced its new Ariane 4 modular launch vehicle whose performance is tailored to specific mission requirements thanks to the addition of various combinations of solid or liquid boosters.

Since last summer, four Ariane 4 rockets have been launched including, earlier this month, the AR 44L, the most powerful version of the new rocket. This version can launch up to 4,300kg into geostationary transfer orbit from the European space centre at Kourou, French Guiana.

But Arianespace is bracing itself for an intensification of competition in the commercial satellite market.

Increasing competition from the Americans – General Dynamics, McDonnell Douglas and Martin Marietta, who have the backing of substantial military orders – and the appearance of China on the launch services market, call for a considerable effort in terms of the rationalisation of both production and launch operations," says Mr d'Allest.

Last February Arianespace signed contracts worth about FFr18bn for the supply of 50 Ariane 4 launchers over eight years in addition to the 22 Ariane 4 launchers already ordered by the commercial consortium.

Studies are also under way to prepare for the production and operations of the next generation rocket Ariane 5, whose first launch is due in 1997.

Paul Betts

The CAP reforms are providing French agriculture with its biggest challenge for a generation, reports **Bridget Bloom**

Turning back the long-term exodus from the land

MR Henry Nallet, who this month celebrates a full year as France's Agriculture Minister, wants European Community farm ministers to adopt a long-term rural strategy.

"Our aim should be not just to replace one set of farm aids with another: it must rather be to achieve real structural reform so that our agriculture will be better able to cope with the challenges of the future," he says.

He takes over as president of the EC's Farm Council on July 1, when France assumes the presidency of the EC.

He wants to persuade the farm ministers and the Commission to stand back from their preoccupation with the recent reforms of the common agricultural policy (CAP).

In particular, he hopes to persuade the farm ministers and the Commission to put greater coherence into the "panoply of measures" introduced over the last two years to help EC agriculture adapt to farming's changing fortunes.

This wider aim neatly mirrors Mr Nallet's domestic preoccupations. French agriculture is facing its biggest challenge for a generation.

Mr Nallet wants a pause in the process of CAP reform so that French farmers can adjust, but he is most concerned to reform France's outdated agriculture laws and structures to make it able to cope with leaner times ahead.

Mr Nallet wants to see a pause in the process of CAP reform so that French farmers can adjust

Although he is intent on achieving those reforms in a non-spectacular way – "to do otherwise might risk division in our society" – success will, he says, be a formidable card to play in the EC after the creation of the single market.

All EC states are feeling the pinch from the so-called budget stabilisers agreed at the EC summit 16 months ago which aimed at curbing the spiralling costs of the CAP.

Farming incomes in France are being hit as farm-gate prices decline – an across-the-board drop in real terms of 4 per cent was registered last year, on top of an estimated decline of 10 per cent over the last three years.

However, France has an additional reason to fear the effect of the CAP reforms, they are reinforcing a serious long term exodus from the land.

Henry Nallet: wants reforms that seek to loosen the restrictive administrative and legal structures inherited from the 1960'a and earlier

Some 7 per cent of France's working population earns its living from the land, compared to 16 per cent 30 years ago (and compared to just under 2 per cent in the UK).

Recent studies suggest that, partly as a result of farming's declining fortunes, but mainly because nearly half of the country's farmers are over 50, and are often without actual or willing successors, today's 700,000 farmers could be reduced by between a third and a half by the turn of the century.

This makes it more likely that the desertrification already seen in some marginal areas like the periphery of the Massif Central – where hundreds of hamlets have already been abandoned – will extend more widely.

The Nallet reforma start from an acknowledgement that there are at least two different agricultures in France. One, already competing or well able to compete with the best farmers in the EC if given the chance, and the other which is much less competitive, but nonetheless vital for the maintenance of the economies of much of southern and western rural France.

At the centre of the reforms is an attempt to loosen the restrictive administrative and legal structures inherited from the 1960'a and before, both to improve the competitiveness of the better farms, at the same time easing the plight of the more marginal areas.

French agriculture has traditionally been highly protected, being subject to centralised controls ranging from high land taxes to rules limiting farm size, credit and even who may be a farmer.

The underlying constraints of such a system were tolerated for as long as the equally protectionist CAP was seen to be working well for France.

The small vegetable producer is on the decrease as farming incomes are hit by the decline in farm-gate prices

Under it, for example, the exodus from marginal land was at least slowed by the CAP'a special aids, while richer regions, like the Paris Basin, have benefitted from the subsidies which have turned the Community into the world'a second largest cereal exporter and France into the EC's premier producer.

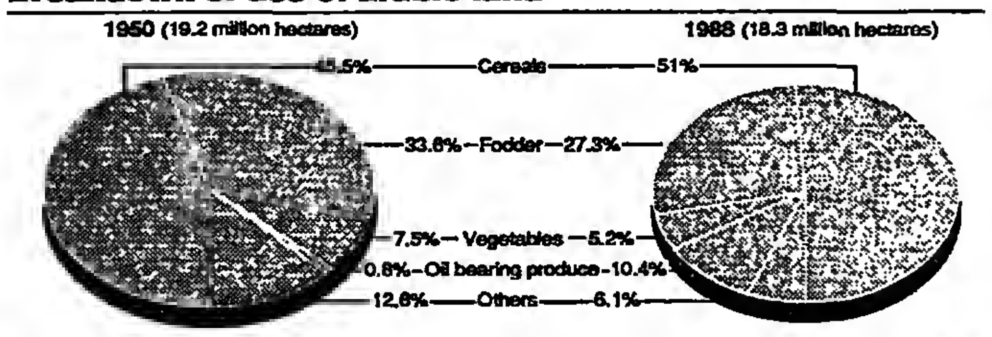
But, as the CAP reforms bite – and as France itself has become a net contributor to the EC budget, domestic controls have increasingly been seen as impediments to the modernisation of agriculture.

The Nallet reforms, actual or intended, fall into four main categories:

- Meaanrea principally designed to make farmers more competitive by bringing them into line with practice in the rest of the economy. For example, new bankruptcy and pension laws agreed by Parliament late last year
- Measures to streamline the tax system for farmers. Farmers now pay a land tax which finances their pensions, health insurance and family benefits. The tax is set by each Department based on area of land cultivated, and types of crops grown. It is levied as a per hectare charge.

The tax is seen as a powerful disincentive to farm expansion and is to be abolished.

Breakdown of use of arable land



Source: SCEES

In a Bill due to be published this month Mr Nallet will propose that farmers pay for their social security via a levy on income, as other Frenchmen do.

Recognising that this will result in increased payments for the more efficient farmers, Mr Nallet also proposes to abolish the para-fiscal tax currently levied on cereals, oil seeds and sugar.

- Measures to ease laws directly governing farm size, known as the *droits de cumul*. These laws which date from the 1960's when there was intense pressure on the land, limit the size of the individual holdings a farmer may own.

They give the regulating Société d'Amenagements Foncier et d'Etablissement Rural (SAFER) a pre-emptive right to buy and sell spare land, which has created a rigid land market and inhibited farm expansion.

These laws are to be substantially eased (though not abolished altogether, since officials say that would be too radical). The ceilings are being trebled, from 40ha to 120ha, and may be raised further by individual Departments.

- A series of measures, still in the pipeline, which will include provision for co-operatives, which account for some 40 per cent of marketed agricultural production, to have greater access to financial markets; and measures to make it easier for part-time farmers to have access to credit or so-called socio-structural aid. At present these tend to be limited to those holding the professional status of farmer.

Mr Nallet recently acknowledged that while the abolition of the land taxes, long criticised as a burden by farmers, was popular with them, the further he went with his reforms, the more he was likely to come up against opposition."

This could well happen, some believe, if he attempts to reform the *statut de fermage*, which controls rented land, in spite of his insistence that he will continue to consult farmers' organisations.

Reform of inheritance laws, which often results in the uneconomic sub-division of farms, has already been ruled out, if only because they are not confined to agricultural property.

Will the reforms work? Mr Nallet hopes that their primary effect, which will begin to be felt by 1992, would be to free the most efficient farmers so that they can become increasingly competitive and less reliant on subsidies.

In the marginal areas threatened by desertrification, he hopes that the measures to encourage the formation of bigger farms will make extensive livestock production more feasible, helping to protect the environment from desertrification and providing a viable livelihood for an albeit smaller number of farmers.

He accepts that such measures by themselves may well not be enough to staunch the rural exodus but believes that a "coherent" combination of Community and national aids could help to restructure the rural economy on such a base

The minister's critics note that while much has been done to open up public debate on the once-taboo issue of farm reform, much remains to be done before the programme can be implemented.

The rumblings from some of the more conservative organisations like the Fédération National des Syndicats des Exploitants Agricoles (FNSEA), the biggest farmers' union, as well as from those socialists who feel that the Nallet reforms are unacceptably right-wing, could still spell political trouble.

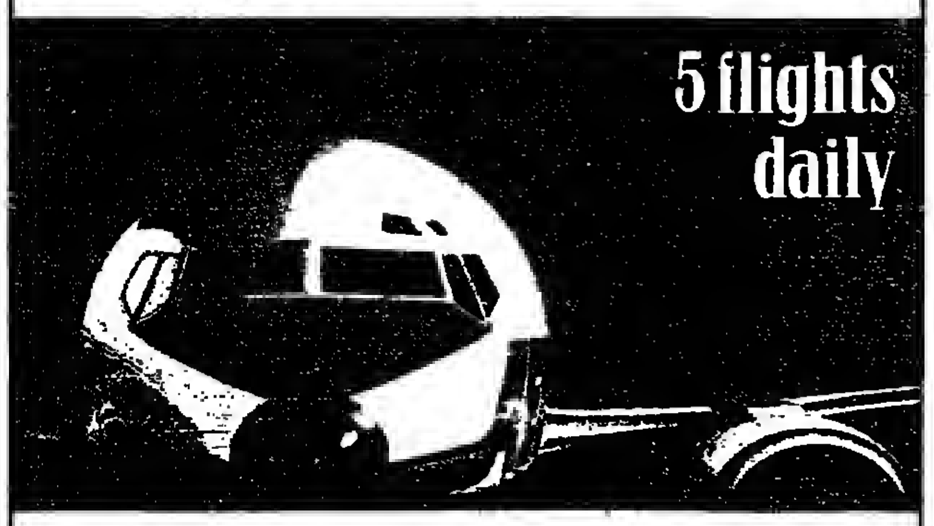
Critics also note the evident differences which have emerged between the agriculture and finaoce ministries over the mechanisms which will govern the new farm credits once Credit Agricole's monopoly of subsidised farm loans (which was abolished by Mr Nallet's conservative predecessor) ends on January 1.

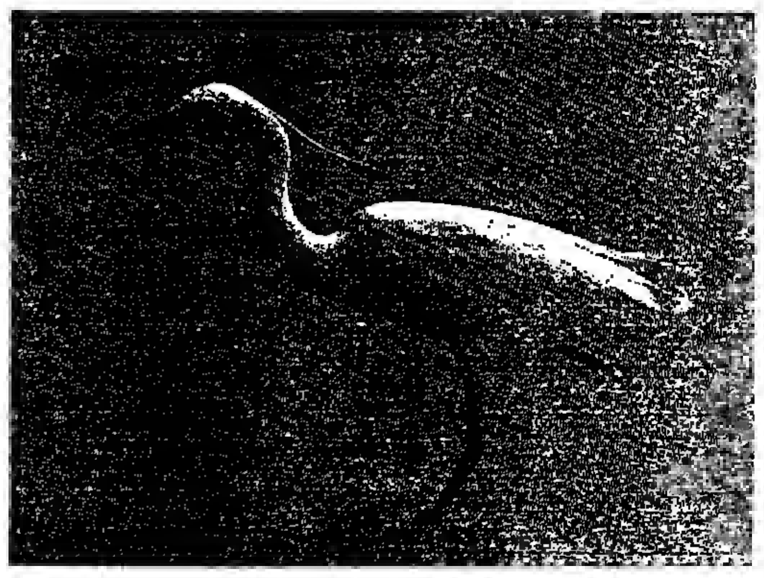
They see this as a possible precursor of rows over the effects of the proposed tax changes on central and local government revenue.

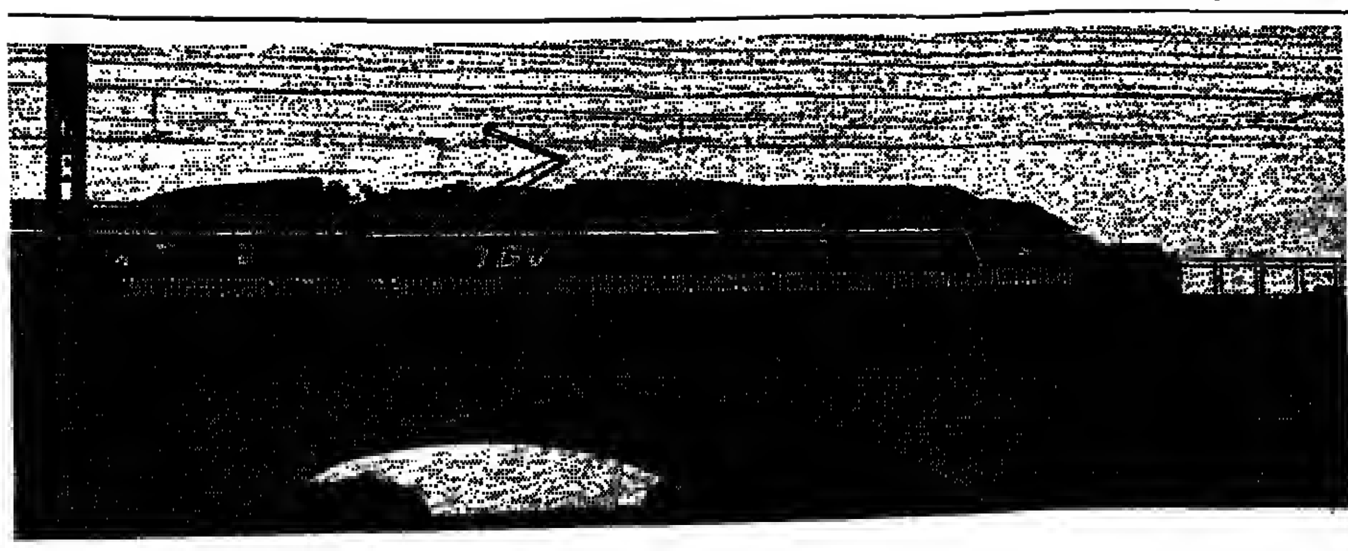
French agriculture has traditionally been highly protected, being subject to centralised controls

Mr Nallet, a technocratic minister who trained as an agricultural economist and came late to politics, is undeterred: "I am not interested in spectacular change, nor in introducing reforms which are too brutal," he says.

"A gradual shift in the way we use aid, plus the reforms, can still end up improving our competitiveness in important ways."







The TGV high speed trains (left) are an integral part of the Channel tunnel project. Boring of the tunnel (above) began in March 1988 and the government plans a network linking Paris to the tunnel as well as to Lille

Transport

Three-pronged approach

THE TRAIN à Grande Vitesse (TGV), the new generation French high-speed train, has become a symbol of the evolution and modernisation of French transport infrastructures.

The TGV has changed domestic intercity transport in France and has given the country an important lead in the development of a broad European high speed train network.

The TGV has cut the rail journey between Paris and Lyon, the country's second most important city, to just two hours.

TGVe now link Paris with Marseilles and Nice on the Riviera as well as with Grenoble, Dijon and Geneva in Switzerland.

The French railways are developing a new TGV network in western France, known as the TGV Atlantique, which will eventually link Paris to Bordeaux and then run on to Spain where the French Alsthom group has won a big order to modernise the Spanish railway network with high speed train services.

French high speed trains are also an integral part of the ambitious Channel tunnel project. The French government has given the go ahead for the construction of a network linking Paris to the tunnel as well as to Lille.

This TGV Nord, as it is known, will also connect the capital and the tunnel to Brussels and be extended to Holland and West Germany. When high speed trains travel through the completed Channel tunnel, the Paris to London journey will be cut to about 3 hours.

If the TGV has become the flagship of modern French transport – the government is also hoping to export the TGV technology to North America. Alsthom has linked np with the Canadian Bombardier group to study TGV prospects in Canada.

It has also had repercussions on domestic air travel in France. Indeed, the TGV has seriously eaten into the Paris-Lyon traffic of the domestic Air Inter airline and is making increasing inroads on Paris-Geneva air services.

The growing impact of high speed trains on French transport coupled with deregulation and the rising weight of charter services has put increasing pressure on the French airline business.

The TGV has become the flagship of modern French transport

Air France, the national carrier, has long sought greater access on domestic routes to boost its competitive position arguing that the other national airlines in Europe had far greater penetration of their domestic markets helping feed their international services.

In turn, Air Inter has also sought permission to fly outside France to serve other European airports while the UTA private airline has asked for rights to fly to New York as well as in other European destinations.

The French government has responded cautiously to airline deregulation. But last year it encouraged co-operation between Air Inter and Air France to enable the domestic airline to fly to new European destinations using the Air France flag while allowing Air France to fly new domestic routes on the Air Inter flag.

The government has been far less responsive to UTA's demands for access to the European and North American markets. However, UTA was recently given the go ahead to start a service linking the French regional market with New York. The airline, specialist in long-distance African and Pacific routes, also intends to develop its European charter business through its Aeromaritime charter subsidiary.

To complement the evolution in rail and air transport, the French authorities have launched a motorway construction programme to improve the country's motorway network.

New road infrastructure improvements and investments are designed in part to make car travel in France safer. Indeed, France boasts the unenviable record of annual road deaths in Europe and the government has launched a new road safety campaign to try to address this pressing problem.

France's three-pronged road-rail-air approach to transport is designed to enable the country to take advantage of its strategic geographical position in Europe and strengthen its role as a transport hub in the forthcoming European single market. Not only will Paris play a central role in this new European transport system, but also some large regions like the Rhone-Alpes or the north-east.

Plans are afoot to connect the Paris Charles de Gaulle airport with a TGV station to take advantage of the similarities between rail and air transport.

Lyon is also envisaging connecting its international airport of Satolas with a TGV station.

But undoubtedly one of the most ambitious plans of all is the project to build an underground motorway system in Paris to relieve the capital of its chronic traffic congestion, especially on its ring roads.

The Paris town hall has asked for suggestions from leading French construction companies for this long term and costly project and two separate groups, Bouygues and Spie-Batignolles, have already come up with proposals.

In the meantime, the French transport authorities have just launched a river bus service on the Seine for tourists in Paris to help ease traffic congestion during the peak tourist period.

In the longer term, the river bus service could be extended for Parisian commuters who face frustrating traffic jams at rush hours. Other large French cities have also turned to novel urban transport systems to reduce congestion.

Grenoble, for example, has opted for a modern tramway system while Lille and Toulouse have chosen the automatic urban transport system called VAL developed by the Matra defence, transport and electronics group.

Paul Betts

Broadcasting

Never mind the quality

AT THE end of last year, the French parliament voted through the country's third broadcasting law in six years, and a fourth, expanding on the third, is now moving through parliament.

The legislation changed, once again, the structure of the broadcasting supervisory. The nine-member Haute Autorité had been replaced by the 13-member Conseil National de la Communication et des Libertés under the last right-wing government. This gave way, on the return to office of the socialists, to the nine-member Conseil Superieur de l'Audiovisuel.

The bill being discussed proposes a single chairman for Antenne 2 and FR3, the two state channels, whose pnblic service mission is once again up for debate.

France has discovered, however, that yon cannot legislate for good television. Elaborate qnota systems designed to ensure a prominent place for French productions and serious programmes have been routinely flouted in the spirit and often in the letter.

Yet French artists and television producers are up in arms in an effort to extend such quotas to the rest of the European Community.

Most of those in favour of quotas are more concerned about saving the cinema

An evening spent in front of French television does not exactly inspire the viewer with the feeling that these well-intentioned artists are arguing from a position of strength.

There are few home-grown specialities such as the variety show "Champs Elysées" or the cult book programme "Apostrophes" on Antenne 2, the main state-controlled channel, or "Ushuaia", an adventurous travel series on TF1, the privatised station which is consistent leader in the viewing charts. But the best in prime time is usually a film.

If you really like films, however, you will probably sign up for the coded pay-television channel Canal Plus, which shows little else.

Moving downscale, the viewer will come to La 5 and M6, two private sector stations which do not yet have full nationwide coverage. La 5 has unearthed an apparently unending stock of spaghetti westerns, while M6 has an equally boundless supply of low-budget US and Italian thrillers.

The crucial factor is not the quality but that they must qualify as "telefilms", thereby escaping the strict limits on the number of films each station may broadcast.

Mr Louis Malle, the French film director, concedes the point: "French television is really terrible, bnt without quotas it would he even worse."

de Broglie: lack of variety

Mr Gabriel de Broglie, the chairman of the now defunct CNCL, delivered in January this parting judgment on the state of French television: "I note in no particular order the undeniable progress in news, the scarcity of original French programmes and the failure to find a French style of series. I regret the lack of variety and the tendency of the stations to align their programming on each other; the excessive screening of films and the neglect of the documentary; and I deplore the haziness of the frontier between the commercial and the programme as well as the generalised practice of sponsoring."

Mr Jean Cluzel, a centrist senator who has followed the broadcasting sector closely, complains that despite the quantity of legislation, television stations have increased the amount they spend on buying in programmes, while their own new productions stagnate. "It is a real Munich for French culture," he said.

It is not just cultural and educational programmes which are missing. The fiction or comedy series on all five non-paying stations are overwhelmingly American, and often 20 years old.

A new daily soap opera, "En cas de bonheur," launched earlier this month with much fanfare on TF1, stands out as a rare exception.

With an annual production budget of FFr136m, the series resembles the BBC's "East Enders" or the Australian soap "Neighbours" than the "Dallasty" series which are already much in evidence on French screens.

The economics of television prodnction are difficult in France, with few easy export markets for its programmes.

Mr Etienne Mougeotte, director of broadcasting for TF1, calculates that a 90-minute fiction production costs on average some FFr6m to make, of which perhaps FFr1m is covered by various forms of subsidy and state aid.

His station could afford to pay perhaps FFr2.5m for its first showing in a prime time slot, and the programme might perhaps fetch FFr750,000 for a second showing later at night and another FFr250,000 for a third showing in the daytime.

This still leaves a deficit of FFr1.5m which is virtually impossible to recoup from sales abroad to countries such as Belgium and Switzerland.

He argues vigorously, however, against the demand of producers that the EC should impose the obligation to broadcast European productions in at least 50 per cent of their air time.

"Broadcasting quotas do not have a single positive effect on production, for they are in fact rebroadcasting quotas. In fact, by the sort of perverse effect that always accompanies over-regulation, quotas for broadcasting a certain amount of French or European programmes lead a station to buy in works which are often old, sometimes mediocre, already screened many times and generating royalties which are not reinvested in production," he wrote in Le Monde.

Confusing the issue further is that most of those arguing in favour of quotas are more concerned about saving the French cinema – most of whose productions are now co-financed by the television stations – than about television production in general.

George Graham

The luxury sector is not for the frivolous, **Martine Leventer** looks at this profitable industry

Where wine is part of the national heritage

THE French luxury industry has been in the international headlines for the past two years. The battle for control of Louis Vuitton Moët Hennessy (LVMH), the country's leading luxury products group with interests ranging from Moët Chandon and Veuve Clicquot champagne, Hennessy and Hine cognac, to Dior and Givenchy perfume, has had a lot to do with it. But the LVMH affair is only the tip of the iceberg.

There were months of financial suspense last year before Seagram, the Canadian drinks group, finally snatched Martell, the venerable cognac house, from a very disappointed Grand Metropolitan.

Soon after, Martini & Rossi of Italy won the contest for Benedictine against the French-owned Remy-Martin cognac group.

In both cases, the prices were staggering. Over FFr5bn (38 times earnings) for Martell; more than FFr1bn (135 times profits) for the medium-sized Benedictine company.

Now the market is eagerly awaiting the outcome of the Paris bourse listing of Compagnie Financiere Yves Saint-Laurent, the perfume and fashion house, next month.

There is an explanation for all this interest in a business sector once considered as somewhat frivolous. The luxury trade in France has suddenly blossomed into a very important and profitable industry.

According to the BIPE forecasting institute, luxury goods and related products showed a positive trade balance last year of FFr36bn, much more than the FFr25bn for French military equipment. The impact of cognac exports alone was the equivalent of the sale of 50 Airbus airliners.

It is hardly surprising that French ministers, who once commented with disdain that France had a lot more to offer than just fashion, perfume and wine, now oppose a Japanese company buying a 33 per cent stake in Leroy, a Burgundy wine dealer with exclusive distributions rights for the world famous Romanee Conti.

"This is a work of art, a cathedral. It belongs to France's heritage," declared Mr Henri Nallet, the Agriculture Minister, when the Socialist government vetoed the deal.

Since then, 81 per cent of Leroy has been sold to Euris, a French investment house, and the Japanese discreetly bought the remaining shares. Cristalleries Saint-Louis will soon discover whether it is also part of the national heritage. The group plans to sell a majority stake to Brown Forman, the US company.

LVMH, with a total market capitalisation of FFr54bn, has become number one on the Paris bourse compared to an average total market value of FFr35bn for the largest French companies. The stock value of LVMH doubled in one year, but others, like Taittinger or Christofle, the silverware group, did even better.

The situation was very different barely five years ago.

Few luxury companies were listed on the bourse. But as one leading French portfolio manager explained: "I became interested in these companies because they had virtually no competition on the international market. Name recognition, tradition and image made them unique. And yet, they were undervalued. Financiers at that time thought of land, industrial plants, property. To them, even Moët Hennessy looked somewhat exotic. Now brand names are considered an important and valuable asset."

The change in the financial community's attitude to luxury companies occurred when Louis Vuitton went public in 1984.

Until then, these family businesses were very discreet and secretive, as many still are. But with Louis Vuitton, the markets discovered the striking financial potential of these companies.

In 1977, when Mr Henry Racamier took the helm of the Vuitton luggage business, the company owned only two shops and had sales of FFr70m. Six years later, with 60 stores of its own, its sales had risen to FFr800m and profits of FFr135m.

Two and a half years later, Yves Saint-Laurent outbid Avon, Revlon, and Shiseido to buy its perfume business back from Squibb for $630mn.

Cerus, the French holding company of Mr Carlo de Benedetti, helped the than small haute couture house buy a business ten times its size and took 49 per cent of the stock. Cerus recently disclosed it would realise this year a consolidated capital gain of FFr400m by selling only about a third of its stake in Compagnie Financiere Saint-Laurent.

But the real catalyst was undoubtedly the merger of Moët Hennessy and Louis Vuitton in the summer of 1987, giving birth to the first real multinational of the luxury trade.

The status symbol phenomenon that spread all over the world since the beginning of the decade has been the main trigger for this expansion. More and more people were prepared to spend an increasing amount of money on luxury goods.

Luxury goods showed a positive trade balance last year of FFr36bn, much more than the FFr25bn for French military equipment.

Products, once sold to the happy few, gained mass appeal. More and more people wanted to acquire the brand names associated with the good life, if only through an Hermes scarf, a flacon of Guerlain perfume, a Cartier diary or Chanel accessories. The Japanese have led the way.

The companies, which were the first to understand the psychology of image and how to manage it, took off.

Indeed, image has become important but it remains a very fragile asset. Most luxury houses like Christian Dior, Ninna Ricci, Cartier, Saint-Laurent, among many others, are now striving to do away with their low image licencees and are upscaling many products and opening new high prestige boutiques.

The advantage for all these companies is the name of France has always been synonymous with "art de vivre." No other country has so many famous brand names in so many different activities.

This explains why even very small companies and loss-making ones appeal so much to investors. Moreover, these family companies have wetted the appetite of the financial community because the dissensions, succession or expansion problems facing them will eventually make them go public or turn them into takeover targets.

During the last two years, the Japanese have snapped up Carita (cosmetics), Courreges and Gres (couture), Bordeaux vineyards, cognac, and the famous Paris restaurant Lucas Carton together with its three-star chef Mr Alain Senderens.

"Possessing a French brand name immediately gives an image of quality to the company which owns it," explained a Japanese official based in Paris.

This perhaps also explains the hefty price of £56.2mn paid by Allied Lyons for 53.5 per cent of Chateau Latour from the Pearson group.

"It is like a Van Gogh painting, but it pays more," said a senior executive of the UK drinks group.

Many other names have also changed hands. They include Rochas, Jansen, Chaumet, Hediard (a luxury groceries chain now owned by Guinness).

Some French companies have also chosen to sell a minority stake in their capital to financial or industrial partners to help finance their worldwide expansion plans.

To respond to this demand, Worms & Cie, the investment bank, has created a special subsidiary called Financiere Truffaut to buy stakes in luxury groups. It already owns 20 per cent of Lancel (luggage), 20 per cent of Fred (jewellery), and 25 per cent of Kenzo (couture).

Marceau Investissements, tha investment group of Mr Georges Pebereau, has 10 per cent of Boucheron, the jewellers, and Credit Lyonnais has owned a similar staka in Hermes for some time. Midland Bank recently bought 34 per cent in Lanvin, while Sanofi, the pharmaceutical subsidiary of the Elf-Aquitaine oil group, has built up a 49 per cent stake in Nina Ricci.

For large groups, buying famous brand names gives them a quick access to new markets, reducing distribution costs, amortising advertising and promotion expenses in a business where competition and costs are fast increasing.

Under the circumstances, the market is now wondering how many companies will ultimately manage to remain independent. The industry is alive with rumours. Great names such as Hermes or Guerlain could also one day fall prey to outside investors, even though the families claim that their businesses are sound and need no external intervention. But the Martell affair showed that nobody was takeover proof.

But perhaps the most immediate question is what will happen next to LVMH.

Distribution agreements, joint-ventures and cross-ownership between Guinness and the French company have already borne fruit.

"We are working on new alcoholic beverages together," said Mr Bernard Arnault, the new chairman of LVMH. "We will launch, for example, a Tanqueray vodka in the US next September; and totally new beverages next year. We have also agreed to buy luxury companies together but not at outrageous prices." But this might prove difficult, considering the number of candidates every time a company is up for sale.

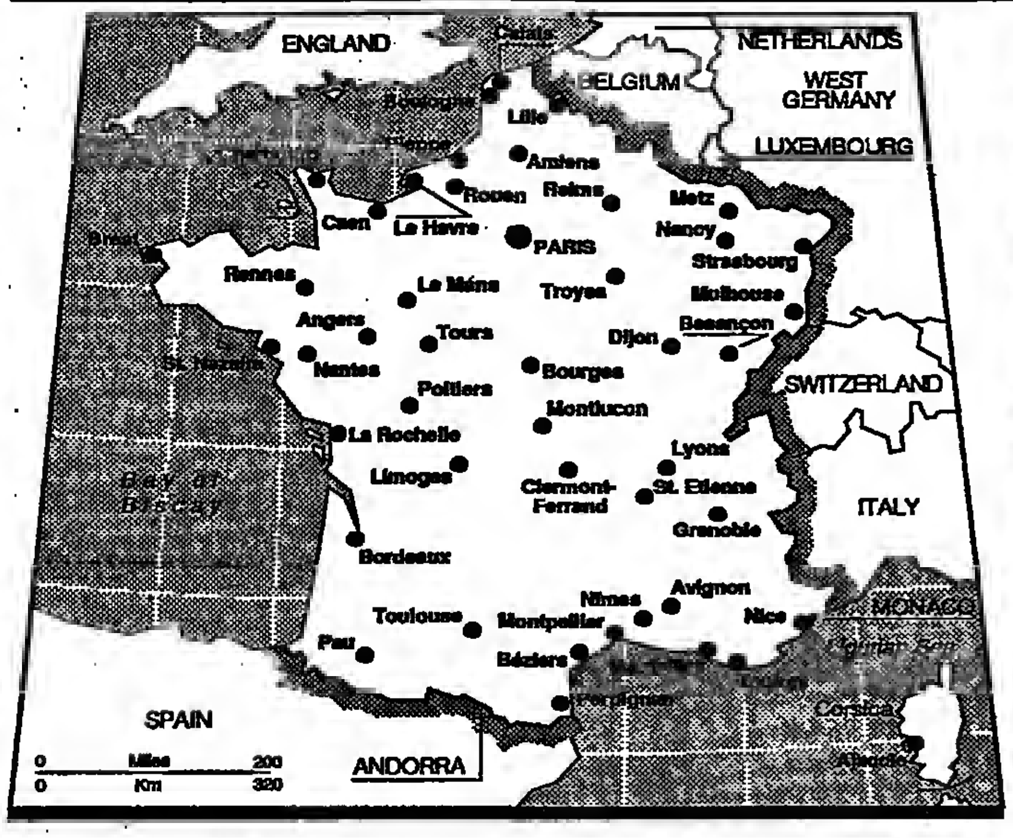
But Mr Arnault's immediate priority is to improve the sales and profits of his group's own brands by applying a similar business approach as Vuitton or Chanel.

This involves not only good management but also the recognition that the best way to control quality, image, growth and profit margins, is to control one's own production and distribution rather than only rely on licencees.

Mr Arnault and the veteran Mr Racamier, who have been involved in an internal battle for the past 8 months at LVMH, seem to agree at least on one thing: a successful luxury company must combine dream with reality.

A balance must ba found between tradition and creativity on the one hand; market demand, image, and quality on the other.

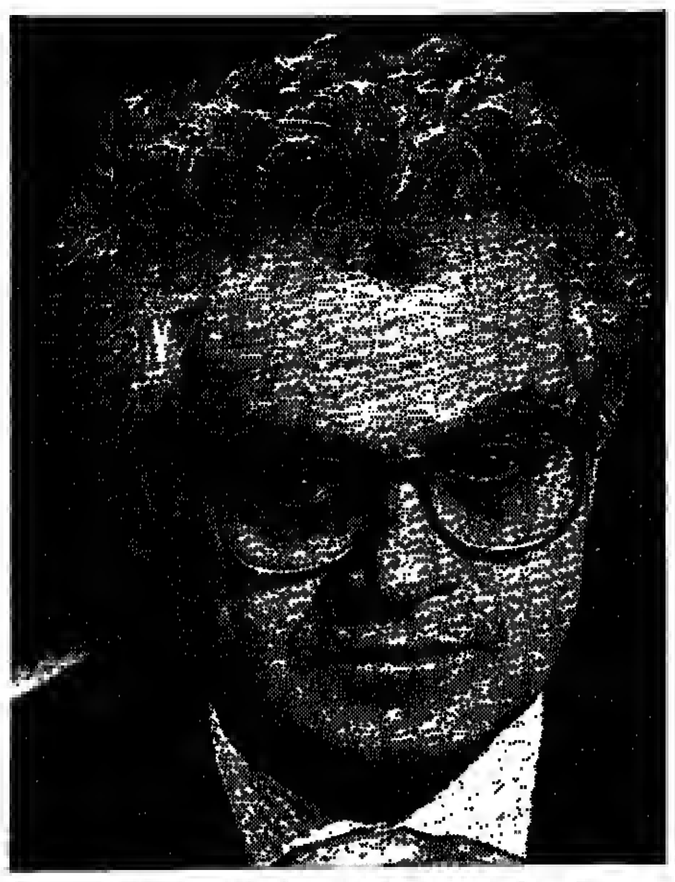
To achieve this balance, luxury groups have to rely on teams of people with very different personalities but all able to work with a common goal. This is easier said than done. But this does not seem to have put off the investment community from regarding the luxury industry as a new Eldorado.



The battle for LVMH, which includes Moët Chandon and Dior, put luxury in the headlines

Jules Ferry began the reformation of the education system 100 years ago, **Ian Davidson** examines the struggle to get it finished

Jospin's reforms face age-old force of vested interests



Lionel Jospin: promised an extra FFr10bn over five years

REFORM OF the French education system has been elevated by President François Mitterrand, and by the new Socialist government of Mr Michel Rocard, into the topmost priority of the present legislature.

By common consent, reform is long overdue; and the government's ambition is evidently to launch the most radical reforms since the educational programmes started 100 years ago by Jules Ferry.

It is less clear how much headway the government can hope to make, against the natural friction of the large, unionised and conservative teaching profession.

The need for reform is manifest at several levels. In the light of the high level of unemployment, and of the rapid pace of economic change, the government is seeking to double the numbers staying on at school to take the Baccalaureat school-leaving examination, which also gives automatic access to higher education.

But a lengthening of average school careers will not be possible without increasing the number of teachers; and this means increasing teachers' pay, since the profession has long been underpaid, undervalued and demoralised.

Even with more and better-paid teachers, reform will still be up against the biggest obstacle of all: if the French school system is bureaucratic, authoritarian, elitist, hyper-academic, hide-bound, corporatist and inhumane, it is because that is how the educational industry is organised.

Cynics argue that the teachers like it that way. Sometimes it seems as if the school system was designed for the convenience of the teachers, not for the benefit of the pupils. Every French family experiences the oppressive characteristics of an education system which is both an endurance test and an obstacle course.

In some countries, the start of the school year may be a moderately anxious moment for some school pupils. But in France *la rentrée*, after the summer holidays, is an affair of hectic frenzy for the whole family.

The French schoolchildren's homework burden is horrendous

In some countries, school children may have regular school hours, say, from nine to five. In the French school system, pupils may well start classes at different times on every day of the week, and finish them with equal irregularity.

In some countries, art, literature, music and sport may be regular and even important features of the school programme. In France, only academic subjects which earn marks receive an honoured place in the timetable.

In all countries, no doubt, schoolchildren have to do too much homework. In France the burden is acknowledged to be horrendous, but nothing can be done because the syllabus simply expanding at one end without contracting at the other.

One result of the academic intensity of the system is that it rejects the low-performers. Those who fail to satisfy the examiners at the end of the school year are made to do the year again. The destructive effect of *redoublement* can be devastating.

Of every 1,000 children who start primary school, 100 will be made to do the first year again; and out of these 100, 40 will drop another year before the end of primary school, and only one will ever get as far as the Bac.

The shortcomings of the system are known to all, and widely lamented. They are endured partly because of the corporatist strength of the teaching unions and because the system suits the educated middle-classes.

They have children who are better adapted to an elite academic education; they can help their young with their burden of homework, or at least provide an environment in which it can decently be done.

They can provide art, music and sport outside the school curriculum; and they can get their children into the best schools. If their children compete well in their final years of school, they will be able to secure yet more educational privilege, through access to the highly selective Grandes Ecoles, and thus economic privilege through access to the best jobs.

The severity of the selection process may push up standards for those who survive, but it is pitiless for the 30 per cent who leave school without any qualification. Inevitably, the defects of the system are most disadvantageous for the children of the less well off.

This is not to deny that the French school system has raised educational standards enormously since the war. Thirty years ago only 20 per cent of a given generation took the Bac. The proportion has risen to 40 per cent, even if only three-quarters of them actually pass it.

A large part of the increase has come through the development of technological and professional baccalaureats. The number of general baccalaureats awarded reached 185,000 in 1987, but the number of technological Bacs, which did not exist before 1969, had by 1987 risen to over 90,000.

The government's ambition is to raise the proportion taking the Bac of all kinds to 65 per cent within the next five years, and to 80 per cent by the end of the century. This target will depend heavily on a further expansion of the technological and the even newer professional Bacs.

Some educationists believe that an ambition on this scale is not merely attainable, but inevitable. The whole of society wants it, from children and parents to politicians and employers.

Nevertheless, the tension between an elitist model and what the French call the "massification" of education, has been bringing the existing system close to breaking point, provoking a constant flood of criticisms in the media, and demoralisation among teachers and children. A large jump in the numbers taking the Bac or an equivalent could not be achieved without radical changes.

The first change will have to be a sharp increase in the numbers of teachers.

At present, the state needs to hire each year about 6,500 primary school teachers and 9,000 secondary school teachers, and it has considerable difficulty in meeting its needs.

The higher Bac targets will push up annual recruitment needs to 10,000 primary school teachers and 13,000 secondary school teachers for five years, and 12,000 primary school teachers and 15,000 secondary school teachers each year thereafter.

When the government formally launched negotiations on its education plan at the beginning of this year, it was clear that the teachers were only interested in talking about one thing – money. They were manifestly unenthusiastic about any innovation which might infringe on age-old habits. They would certainly not entertain any reforms without money up front.

In January, Mr Lionel Jospin, the Education Minister, said he would spend an extra FFr10bn over five years. For a standard of comparison, this year's education budget is FFr209bn. By the time the negotiations with the teachers were exhausted in March, the total had been driven up to FFr11.6bn for 1989-94, plus an additional FFr6.2bn over the following five years.

But if this increase looked daunting for the government's finances, it looked less impressive to the teaching profession.

At the start of the negotiations, the unions were pressing for across-the-board increases of FFr2,000 per month or more. But, according to the leader of one of the main unions, the average pay increase finally offered would only work out at about FFr500 per month, or about 30 to 40 per cent of what they had been asking.

Considerable uncertainty remains, however, over the reform element in the government's package.

The National Assembly has passed a general "orientation law" on education; but it was criticised on both sides of the house for its extreme generality. It is hard to tell what the reformed system will look like.

The government has promised to conduct an in-depth review of the school curricula, in liaison with the professionals. But it has given no commitment that workloads will be lightened, let alone that France will cease to insist on a four-hour philosophy paper as part of every Bac examination.

The new law promises a more balanced school year, with five terms rather than three, and it speaks disapprovingly of the present irregularity of the weekly timetables. But it gives no clue how the timetables will be made more regular. It speaks disapprovingly of *redoublement*; but it does not quite dare to suppress the practice entirely.

One result of the academic intensity is that it rejects the low-performers

The leadership of the main teaching federation, which has long called for a thorough overhaul of the system, has criticised Mr Jospin's law for its timidity. But its members are still divided and suspicious over the case for far-reaching change, and it acknowledges that everything will depend on the detailed application decrees which should follow the general law.

Conventional wisdom suggests that Mr Jospin's reform plan, like all its ill-fated predecessors, will go down to defeat by the force of vested interests.

Two detailed innovations suggest, however, that Mr Jospin may be made of sterner stuff. He has apparently decided to reform two of the central institutions in the system: the all-powerful *Inspecteurs Généraux*, and the famous *écoles normales*.

The *Inspecteurs Généraux* have hitherto decided their own functions, which have included professional assessments of individual teachers. From now on, their functions will be fixed by the state, and they will be called on to assess the functioning of the system, not individual performances.

The *écoles normales* have been the quasi-monastic training institutions for primary school *instituteurs*. In future, they will be merged in a larger and more open network of university institutes for Teacher Training.

Still, no one is holding their breath for any rapid revolution in the French education system.

On June 7 this year, 475,000 students settled down to the first paper of their baccalaureat exam – philosophy. Last year they were 441,000 and the year before 414,000.

At least as significant as the numbers, is the fact that the start of the examination was a lead item on the morning radio

It is hard to imagine that the French will ever really wish to de-dramatise an education system which gives them so much stress, so much anxiety, so much excitement.

Ian Davidson

Banking activity

continued from Page 6

tised banks to pass wholly out of its control.

The issue could be crucial for Credit Commercial de France, a smaller privatised bank, easier to stalk on the stock exchange.

Some analysts have suggested that CCF has less to fear from the government – because it is smaller, it has less symbolic significance than Société Générale – and more from leading European banks looking for something more than a foothold in France.

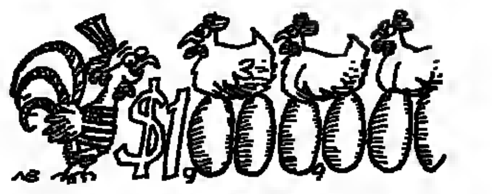
After the Société Générale setback, however, the government's policy, both on the use of its own leverage as an institutional investor and on the attitude to adopt to a foreign takeover of a large French bank, is thoroughly opaque.

George Graham

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday June 28 1989

INSIDE

Cock of the hen coop



Don Tyson, the aggressive entrepreneur from Tennessee who heads chicken producer Tyson Foods, finally cracked a difficult egg last Friday when he won a protracted battle to take over fellow processor, Holly Farms. The combination reinforces Tyson Food's position as the leading chicken producer in the US, and makes Mr Tyson a powerful figure in the industry with his sights set on overseas expansion. Deborah Hargreaves reports. Page 19

Anglo profits light Coalite's fire

Anglo-United, the UK fuel distribution group bidding £420m for the much larger Coalite company, yesterday reported pre-tax profits up by 28 per cent to £6.65m. The figures were immediately denounced by Coalite, which pointed out that the bulk of the profits improvement came from Anglo's 26 per cent stake in NSM, the mining group which used to be known as Burnett & Hallamshire and which Mr David McErlain, Anglo's chairman, helped to restructure. Page 24

Daimler set to touch the sky

The deal is a political hot potato, but Edzard Reuter (left), chairman of Daimler-Benz, believes Helmut Haussmann, the West German Economics Minister, will this autumn give the green light for his company to take over aerospace group Messerschmitt-Boelkow-Blohm. Arguing for the merger, MBB says European countries are not large enough to afford more than one leading "systems company" in aerospace. Page 20

Optimism goes up in smoke

Early hopes of bumper prices for Malawi's Burley tobacco crop have disappeared. Just halfway through the selling season disappointment has set in to such an extent that some growers have cancelled the sale of crops and at times auctions have been forced to close, writes Mike Hall. Page 32

Calmer day in jittery Taiwan

Taiwan's stock market dropped slightly yesterday after its record fall on Monday, but the net decline of 12.37 to 9,297.1 in the weighted index marked a recovery from an initial flurry of selling, which had seen the index slide by almost 400 points. Peter Montagnon reports, however, that brokers remain nervous, following the Government's attempt to crack down on the widespread practice among large investors of using surrogata accounts as a means of avoiding capital gains tax. Page 44

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Continental	314.5	+	2.5
Man	327.5	+	1.4
Falls			
Kaufhof	506	−	7.5
Mannesmann	258	−	4.5
Thyssen	253	−	4
Viag	340	−	5

NEW YORK ($)			
Rises			
Disney	98¼	+	2¾
May Dept Sts	42⅞	+	2⅛
UAL	147	+	7¾
USX	35⅞	+	⅝
Falls			
Hasbro	21¾	−	½
Paramount	60⅛	−	¼

New York prices at 12.30

PARIS (FFr)			
Rises			
Agip	371	+	11.4
Dement Lable	1050	+	30.9
Metaleurop	226.5	+	15.5
Falls			
Bail Equip	319	−	16.2
Exor	1303	−	61.9
Protabail	1170	−	56.2

TOKYO (Yen)			
Rises			
Nippon Densetsu	1670	+	140
Shinko Elec	1120	+	70
Sumitomo Cons	1330	+	80
Toa Doro Kogyo	1180	+	70
Falls			
Kanto Spec	990	−	50
Soto Kogyo	1400	−	70

LONDON (Pence)			
Rises			
Anglia Sec	228	+	9
Armstrong Equip	173	+	10
Barker(C)	118	+	13
Beecham	640	+	11
Body Shop	718	+	12
Cable & Wire	515	+	11
Clyde	151½	+	5½
Cookson	345	+	12
Debenham			
Tewson	155	+	9
Enterprise	570	+	11
GUS 'A'	1050	+	13
Lloyds Bank	350	+	8
Nat West Bank	301	+	9
Ocean Trans	340	+	9
P&O Dfd	647	+	12
Rosehaugh	828	+	13
Smurfit J	383	+	10
Sun Alliance	1093	+	22
Unilever	584	+	14
Whitbread 'A'	354	+	11½
Falls			
Creighton Labs	270	−	20
Securicor 'A'	728	−	40
Shandwick	133	−	e
Tootal	120½	−	6½

Springer shareholding swap with Poligrafici

By Haig Simonian in Frankfurt

AXEL SPRINGER Verlag, the leading West German newspaper group, and Poligrafici Editoriale, a large Italian regional newspaper company, have reached agreement to take 10 per cent equity stakes in each other.

The mutual shareholdings will be reinforced by cross-representation on each other's supervisory boards, according to Mr Peter Tamm, Springer's chief executive.

Springer is to recommend the appointment of Mr Adrea Riffesar, the supervisory board chairman of Poligrafici, to its supervisory board, while it will have an as yet unnamed representative on the supervisory board at Bologna-based Poligrafici.

Mr Tamm said the focal point for the co-operation would be in Italy, although joint projects were also planned for elsewhere in Europe. The Springer group, which publishes papers such as Die Welt, the quality daily, and Bild, a garish mass-circulation paper, has been criticised for some time for not expanding sufficiently quickly in neighbouring European markets.

Financial details of the transaction bave not been revealed, although Italian reports earlier this year suggested Poligraficl, which hed sales of L264bn ($181m) in 1987, would be paying up to about DM200m ($99.5m) for its Springer shares. Turnover last year is thought to have risen to almost L300bn.

For Springer, the deal with Poligrafici mey stem as much from domestic considerations as the desire for better representation in Italy, where Poligrafici publishes five regional newspapers and owns a number of printing plants, as well as a 50 per cent stake in the Rome daily, Il Tempo and numerous radio stations.

Among titles published by Poligrafici, which is controlled by the family of Mr Attilio Monti, are La Nazione of Florence, Il Resto del Carlino in Bologna and Il Piccolo of Trieste.

Members of the Springer family may have been keen to raise cash to help pay for their purchase of around 26 per cent of Springer's shares from Mr Franz Burda and Mr Frieder Burda.

The acquisition, which raised the stake held by the Springer family and linked interests to 50.1 per cent, is thought to have cost around DM500m and was a decisive step in the family's attempts to guarantee its control of the group against a perceived threat from Mr Leo Kirch, owner of a large film and television company.

Significantly, the deal with Poligrafici involves a pool arrangement, whereby the Italian-owned shares will vote in line with the shares held by the Springer family and interests.

Meanwhile, the German group, which has been involved in an acrimonious dispute over registering a stake held by Mr Kirch, yesterday announced net profits of DM93.4m for last year, against DM96.4m in 1987.

Group sales increased by 2.1 per cent to DM2.84bn in 1988, and rose by a further 4 per cent in the first five months of this year on a comparative basis.

Lord Hanson (left) Sir Gordon White and Mr Rudolpb Agnew leave yesterday's meeting. Trevor Humphries

Pickens bursts in with all guns blazing

Stefan Wagstyl on what promises to be a stormy general meeting for Koito of Japan

T, Boone Pickens is likely to find Koito will not budge an inch

The stage is set for a public fight tomorrow between Mr T. Boone Pickens, the Texan corporate raider, and Koito Manufacturing, the Japanese car parts company in which he has taken a $1bn-plus stake.

Koito will be holding what promises to be a stormy annual general meeting. Mr Pickens, who arrived in Tokyo yesterday with his guns blazing, is expected to berate the directors for refusing him seats on the company's board. Koito is not likely to budge an inch.

To add to the tension, about 15 members of Japanese underworld groups plan to attend the event to take advantage of the publicity and heckle both sides, even though the police may try to stop them. Such men, who often sport loud suits, bright ties and sunglasses in self-conscious imitation of Hollywood wide-boys, are the scourge of Japanese company meetings.

The meeting could have much more impact on Mr Pickens' campaign than a similar event might in the US, since Japanese companies attach great importance to the handling of a general meeting. Calm is supposed to prevail. Disorder reflects badly on the company holding the meeting.

Tomorrow's events, however, are unlikely to be the final round in the contest since Mr Pickens, who bought his shares in March, will not be able to vote them until September. Under Japanese law, he must hold stock for six months before being able to exercise his voting rights.

Mr Pickens' controversial involvement with Koito began three months ago when Boone Co., his private investment company, bought a 20.2 per cent stake from Mr Kitaro Watanabe, a Japanese corporate raider who had been accumulating shares in Koito for more than a year.

Mr Watanabe's plan had been to greenmail Koito or, standing behind it, Toyota Motor, Japan's largest car maker which holds a 19 per cent stake in Koito. Mr Watanabe wanted to force Koito or Toyota to buy back his shares at inflated prices.

He was, however, rebuffed, and turned for help to Mr Pickens, who bought the shares with a stated aim of playing a role in Koito's future development. But it is widely suspected in Tokyo that his stake is covered by a repurchase agreement with Mr Watanabe.

Mr Pickens has tried to keep up a fierce attack on Koito, with repeated demands for meetings and for information, which the Japanese company has mostly politely fended off. Mr Pickens has also been to court. He tried unsuccessfully to win an order which would force Koito to disclose its tax returns.

He has prepared carefully for tomorrow's meeting and will not give up even if things appear to go against him. The real showdown is likely to be in September when Boone acquires full voting rights to its shares and it will be able to call for a special shareholders' meeting to consider Mr Pickens' demands in detail.

Aside from asking for three seats on the Koito board, Mr Pickens wants specific changes in the management of Koito, including a review of its dividend policy – he thinks payouts are low – and of its relations with Toyota.

Apart from being a major shareholder and nominating three Koito directors, Toyota is Koito's biggest cnstomer, accounting for nearly half of its outpnt. Mr Pickens wants an investigation of the terms nn which this trade is carried out.

Mr Pickens' only real hope of success lies in persuading the Japanese financial community that he is on their side. He argues eloquently that shareholders in Japan are 20 years behind those in America in being able to assert their rights.

He has won some support in Tokyo. The Life Insurance Association of Japan has said companies should pay more attention to their shareholders.

The Japan Economic Journal, owned by Nikkei Keizai Shimbun, Japan's leading business newspaper, said in an editorial this week: "The Koito case clearly suggests the need for a change in Japan's traditional business practice."

Yet there is almost no sign that the financial establishment as a whole is going to start marching to Mr Pickens' tune.

Under the current system, some 70 per cent of Japanese shares are locked up in cross-holdings, often controlled by banks. These secure long-term shareholders already have influence over companies – throngh their commercial and financial ties, as lenders, customers and suppliers. Toyota's role at Koito is a case in point.

Mr Pickens has taken comfort from the fact that senior Toyota officials bave said they might support his bid for board representation. Bnt it by no means clear that this would allow Boone to influence Koito's management. It might prove a hollow victory.

Japanese shareboldere attitudes to their rights might conceivably change if increased demand for higher returns from investments forces banks and others to buy and sell their stock holdings more actively. But such changes would be much too slow to make any difference to Mr Pickens.

In order to improve his chances, Mr Pickens has assiduously developed an international dimension to his battle, arguing that it is unfair that Japanese companies make corporata acquisitions in the US when American groups cannot do the same in Japan. "Japan is going to have to open up, just like the United States did, and acknowledge that public companies are owned by the public," he told a newa conference just before leaving the US this week.

But there is little evidence that the US administration wants as aggressive a standard-bearer as Mr Pickens at a time when trade relations are very delicate. As a result there is little likelihood that the Japanese Government will be under pressure to do anything to help the Texan raider.

So far, the only concession Koito has granted is to allow Mr Pickens to attend tomorrow's meeting with an interpreter.

The interpreter may help Mr Pickens make sense of the antics of the men from the Japanese underworld who plan to attend the meeting.

Five belong to Japan Youth Association, a right wing political group, which is controlled by Sumiyoshi Rengo, one of Japan's most powerful gangster groups. Another ten are sokaiya, professional extortionists who try to extract bribes from companies by threatening to disrupt annual meetings. They belong to Sogyo Dokokai, a sokaiya association, which is also affiliated to Sumiyoshi.

Tokyo Metropolitan Police have been investigating claims that the two groups plan to stage a noisy argument with one side, Japan Youth Association, attacking Koito, in support of Mr Pickens' cause, and the other side, Sogyo Dokokai, defending the board.

Exchange clears way for Bond brewing deal

By Bruce Jacques in Sydney

BOND Corporation, tbe beleaguered Australian beer and media group, bas reacbed an agreement witb the Australian Stock Exchange whicb clears the way for Bond to go ahead with the A$3.5bn ($2.6bn) sale of its brewery interests.

Bond, in an effort to reduce its crippling debts, bad proposed selling the interests to its snbsidiary Bell Resources, but on Monday the exchange snspended shares in Bell because the company had not agreed to comply with disclosure requirements on the deal.

In a separate blow on the same day, the Australian Broadcasting Tribunal announced it did not find Mr Alan Bond, Bond Corporation's chairman, a fit and proper person to hold broadcasting licences.

The Stock Exchange bad demanded two valuations on the Bell deal, plus five year accounts for the brewing operations, but Mr Bond said this was too onerous, time-consuming and costly.

Last night the Exchange said trading in Bell shares would resume tomorrow after the company had agreed to provide further information.

It was not made clear if this meant all tbe details initially required.

The agreement suggests Bond has now decided to proceed with the brewery sale, which it had threatened to drop in favour of a range of other financial manoeuvres.

Bell executives supported this line, saying they wanted the sale finalised as quickly as possible. However, they added that there were many external factors whicb might affect the position.

Stock markets were still canvassing nther options yesterday, including a Bond bid for Bell minorities – at a suggested price nf A$1.60 a sbare, valuing tbe group at A$889m – and a liquidatioo of Bell, whicb would require approval from 75 per cent of its sharebolders.

Meanwhile, Bond Corporation shares reacted to botb the earlier Bell suspension and Mooday's adverse finding by the Broadcasting Tribunal with a further 11 cents fall to a low point for the year of 90 cents.

The stock has now falleo 20 cents since the tribunal ruling.

The Tribunal decision brought a flood of comment, and a neatly timed Federal Government announcement that it is planning to introduce new broadcasting legislation in August.

Federal Transport and Communications Minister, Mr Ralpb Willis, would not comment on the cootent of the proposed changes. It is believed they may involve moving to a system wbere miscreant licencees could have their broadcasting licences taken over by an approved trustee to avoid a shutdown of services.

● Lonrho, the UK-based international conglomerate, is preparing to publisb fresh allegations about the financial status of the group of companies headed by Mr Bond. A document to be publisbed tomorrow makes the principal claim that Bond Corporation will have a negative net worth on a valuation of operations of A$2.07bn at June 30.

Lonrho document, Page 24

Amicable meeting at Gold Fields

By Phillp Coggan in London

PROSPECTS for en egreed takeover of Consolidated Gold Fields, the British-based mining group, by Hanson, the UK conglomerate, appeared to increase yesterday after an "amicable" meeting betweeo the two companies.

Mr Rudolpb Agnew, Gold Fields' chairman, met Lord Hanson, chairman of tbe coonglomerate, and Sir Gordoo White, who heads Hansoo's US operations, at Gold Fields' Londoo beadquarters.

Hanson launcbed a £3.1bo ($4.6bn) bid for Gold Fields last week whicb received a markedly less bostile response than the previous offer from Minorco, the Sooth African controlled investment gronp. Minorco, whicb had its offer blocked in the US courts, has pledged its 29.9 per cent stake to Hanson.

Gold Fields has said that it considers the Hanson offer – £14.30 per share in cash – is not sufficient and the monetary terms were obvinusly one of the main issues under discussion yesterday.

Hanson said that "friendly talks are continuing" and the two sides are expected to be meeting again within the next few days. Gold Fields is being advised by Schroders and Hanson by N M Rothschild.

Gold Fields sbares clnsed last night np 9p et 1470p, while Hanson's rose 2p to 216½p.

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French state sector chiefs likely to be reconfirmed

By Paul Betts in Paris

THE CHAIRMEN of a number of French key nationalised groups are expected to be reconfirmed in their positions today hy the Socialist Government, underlining its efforts to avoid a new round of disruptive changes in the state sector.

They will include Mr Alain Gomez, chairman of Thomson, the state-controlled defence and electronics group, and Mr Henri Martre, head of the Aerospatiale state aerospace concern.

The Government is also expected to appoint Mr Francis Lorentz, chairman of the state Bull computer group, in place of Mr Jacques Stern, who has decided to retire. As managing director of Bull, Mr Lorentz has worked in tandem with Mr Stern during the last few years and was widely expected to take over as chairman when Mr Stern decided to step down.

Mr Martre's confirmation at Aerospatiale had also been regarded as a foregone conclusion. However, there had been some doubts over the future of Mr Gomez at Thomson, although most French industry observers had expected the Government to grant him a further three-year mandate.

Mr Gomez was appointed by President Francois Mitterrand back in 1982, in the heyday of the Soclalist nationalisetion programme. He has now become the only survivor in office of the 1982 generation of Socialist government-appointed state industry captains.

Mr Gomez has been responsible for a big restructuring and recentring of Thomson's businesses around two core sectors comprising defence and consumer electronics.

Mr Martre was appointed chairman of Aerospatiale in 1983, replacing General Jacques Mitterrand, hrother of the President. He is one of the longest serving chairmen in the nationalised industrial sector.

Since returning to power last year, the Socialists pledged they would not indulge in tbe traditional "witch hunts" that have plagued the state industrial sector after elections.

However, the Government has changed some beads of state groupa, including the chairmen of Air France and Elf Aquitaine, in the past 12 months.

AMD seeks partner to make chips in Europe

By Terry Dodsworth, *Industrial Editor*

ADVANCED MICRO Devices, the US chip mannfacturing company, is looking for a European partner to manufacture its semiconductors in Western Europe.

Mr Terry Smith, AMD's European sales and marketing vice president, says the Californian-based group is "spending a lot of time and energy" on its long-term European strategy at present because of the increasing demand in the region for locally-prodnced components.

The company, which generates abont 30 per cent of its $1.2bn turnover in Europe, is looking at the possibility of a partnersbip arrangement because it has no need for additional manufacturing space at the moment. At the same time, there is plenty of spare plant capacity in Western Europe.

AMD's policy shift after years of direct exporting to Enrope is part of a general trend among US and Japanese semicondnctor producers.

The immediate cause of this move was the recent European Commission's ruling which defined locally-prodoced chips as those which bad been fabricated in tbe region.

Fabrication – the process of etching electrical circnits into the chips – is the most complex step in making semicondnctors. The effect of the EC's decision has been to put pressure on chip users to demand European-fabricated prodncts so that the equipment they are manufacturing does not suffer from import tariffs.

Bull expects loss at six months

By Alan Cane

GROUPE BULL, the atate-controlled French computer manufacturer, is now certain to miss both its revenue and profits targets thia year througb a combination of production and currency exchange problems.

Its figures for tbe first six months of the year, tbe company's weakest trading period, are expected to reveal a significant losa when they are announced at the end of July.

Mr Francis Lorentz, chairman of Bull SA, the company'a French-based arm, said it traditionally made only 35-40 per cent of its revenues in tbe early part of the year. "It means our results show losses or very small profits at the end of the first half-year. This time, bowever, we sball announce losses, and mnch more than we could have planned."

The figures will be an embarrassment to Bull, which is the world's 10th largest computer manufscturer hnt has announced aggressive plans to be among the top five by the early 1990s.

Groupe Bull comprises Bull SA and Bull HN, the former Honeywell Bull hased in the US and jointly owned hy Bull, Honeywell of the US and NEC of Japan.

The group announced in February revennes for 1988 of $5.3bn, with net profits of $51m. At the time it said it expected revenue to grow hy between 5 and 7 per cent with a mucb smaller increase in profits.

Francis Lorentz: 'maybe we did too many things at the same time'

Now Bull says any revenue increase will be at the lower end of the scale, while profits will depend on an urgent cost-cutting programme.

The chief source of the problems is production prohlems in Bull's Angers, France, manufacturing plant, one of the largest in Europe and the source of printed circuit boards for virtually all Bull SA's products.

It is understood that new equipment and process control systems installed last year have suffered malfunctions. "Maybe we did too many things at the same time," Mr Lorentz says.

The result has been a shortage of products leading to delaya in customer deliveries and payments and a loss of orders in Europe. To intensify the difficulties, it has meant extra expenditure on crisis measures and a slowdown in tbe policy of cutting the Angers workforce by 5 per cent a year.

The sbortfall will not be made up until the end of the summer. In the meantime, the company is pressing abead with plans to build a sister plant to Angers in Boston as a safeguard against future production difficulties.

The strength of the dollar took the company hy surprise and has added significantly to costs, as some 40 per cent of a system can consist of equipment from the US or Japan and priced in dollars.

"We will manage this in future hy including it in our prices or using different huying methods," Mr Lorentz said.

Gulf Resources plans to restructure

GULF RESOURCES & Chemlcal, tbe US natural resources and energy company, has proposed reorganising itself as a unit of a new Bermnda-based holding company AP-DJ reports from Boston.

Shareholders would have to approve tbe move at a special meeting, probahly in August. The name of the new company is expected to be Danbury.

Italian bankers given 1990 lecture

John Wyles on worries ahead of EC capital movement reforms

It is rare to hear an Italian business leader publicly confessing his fear of foreign competition, but it is not altogether surprising that it should have been Mr Piero Barucci, president of the Italian Bankers' Association (ABI), who chose yesterday to place his anxieties clearly on record.

The occasion is quintessentially Italian, when bankers from the four corners of the peninsular converge on Rome to hear their president's report on the state of their industry followed by a pep talk by the governor of the Bank of Italy, Mr Carlo Azeglio Ciampi.

Carlo Ciampi: pep talk

Yesterday's double-act was unusually choral. Mr Barucci laid bare the industry's weaknesses and called for appropriate action from his colleagues, from the Government and from the central bank. Mr Ciampi spelled out what the central bank planned to do, and then joined in close harmony with Mr Barucci in telling the politicians to get on with doing their bit.

The ABI president was clearly determined to banish any complacency generated by the 29 per cent increase in Italian banking's net profits last year to a record L5,363bn ($3.78bn).

Much of the traditional coded language was replaced by straightforward shooting from the lip. Italian industry may be focused on 1993 and the arrival of the European Community's internal market, but Italian bankers, said Mr Barucci, must cross their Rubicon next year when all restraints are removed on the free movement of capital in the Community.

Trembling slightly at the imminence of a free market in financial services, he and his colleagues are aware as never before of the vulnerability to foreign competition of their hitherto highly protected, heavily regulated banking system.

"We openly admit to being afraid, but we are also aware that this is the soil in which we must live and we know that it is up to us to adapt ourselves," said Mr Barucci.

Unfortunately, however, many of the problems look the same as they did last year – the barriers between the dominant public and smaller private banks remain enormous, while in comparison with their foreign rivals Italian banks remain too small, too numerous, lacking in international presence, overstaffed and, in some important cases, undercapitalised.

Admitting that the efficiency of Italian banks was "below average" in Europe, Mr Barucci blamed decades of timid sheltering behind national borders, protected by domestic regulations and a currency of little international significance, with weak financial markets and a legislative framework which does little to promote restructuring.

As Mr Ciampi revealed yesterday, such restructuring as there has been in the 1980s has been miniscule – mergers or takeovers of 66 out of 1,200 credit institutions handling a mere 2 per cent of total deposits. But the pace is picking up and the last few months have seen important mergers between the Cassa di Risparmio di Roma and Banco Santo Spirito, between San Paolo di Torino and Crediop and between Nuovo Banco Ambrosiano and Banca Cattolica.

Looking ahead, Mr Barucci identified at least two sectors which will be the targets of foreign competition. One will be household credit, where loans from Italian banks have leaped by 39 per cent between 1986 and 1988, and the other loans to small and medium-sized businesses, which have risen by 40 per cent in the same period. Between them, the two sectors account for 74 per cent of all Italian bank loans.

While lacking a strong competitive position, Italian banks did have the advantage of knowing their markets and their customers. "We don't start from a losing position, but we shall have to work harder, with the determination of those who want to lead," said Mr Barucci.

But servicing their customers and at the same time playing their allotted role in funding the huge public sector deficit through purchases of Treasury securities was straining cash management skills, said Mr Barucci.

Like so many other sectors of the Italian economy, however, banking is waiting for the politicians to act, particularly in changing a legislative framework which has been cast in stone since 1936 and in abandoning prejudices and political interests which have built rigid walls between the public and private sector banks. Mr Ciampi pointedly warned that "all of the space which the current regulatory order offers for transforming the system has now been used."

The most urgently awaited item is legislation currently languishing in parliament which would encourage bank mergers and govern the setting up of "polyfunctional" banks. These will be the Italian response to the West German and British "universal" banks and will create holding companies controlling subsidiaries involved in the broad gamut of financial services. Nevertheless, Mr Barucci did not hide his doubts that the current proposal will allow banking groups sufficient powers of direction over their subsidiaries to compete effectively with their "universal" counterparts in the Community.

Long accustomed to having someone else – mostly the Bank of Italy and the politicians – make the decisions for them, Italian bankers are searching for bravery in the new world opening up before them. In Mr Barucci's view it is already too late to turn back.

Asked last week whether he would favour a postponement of the lifting of capital restrictions, he replied with horror: "This would mean we shall never get anything done, I would rather face July 1, 1990, with a 10 per cent cost disadvantage than not face it at all."

Procordia and Cultor exchange shares

By Robert Taylor in Stockholm

PROCORDIA, tbe Swedish state-controlled holding company, has made an agreement with the Finnisb company Cultor, formerly known as Finnish Sugar, in a move designed to strengthen hoth enterprises through a cross-purchase of shares.

Under the deal Procordia will acquire 15.3 per cent of the voting rights and 22 per cent of the share capital in Cultor, while, for its part, the Finnish company has bought 3 per cent of the shares in Procordia, owned by the Swedish Government, for SKr566m ($85.5m).

This will make Cultor the second biggest sbareholder in Procordia hehind the state which still owns 78 per cent of the Swediah company's shares.

Mr Ivar Nordberg, Sweden's industry minister, said yesterday that the state, as a shareholder, was co-operating in this way so that Procordia could establish closer links with another Nordic company in the food products area.

Cultor said the agreement would improve the competitiveness of both companies in a deregulated Europe, helping them to develop a joint approach in areas such as research and development.

The Finnish company has interests in sugar beet, animal foodstuffs and biochemical products. Last year it had a turnover of SKr6.1bn.

INTERNATIONAL COMPANIES AND FINANCE

Tyson makes meal of Holly Farms

Deborah Hargreaves reports on a US poultry industry takeover

Mr Don Tyson, the aggressive entrepreneur from Tennessee who heads Tyson Foods, the chicken producer, finally cracked a difficult egg last Friday when he won a protracted battle to take over fellow processor, Holly Farms.

The combination reinforces Tyson's position as the leading chicken producer in the US, making Mr Tyson a powerful figure in the industry with his sights set on expansion overseas. Tyson's winning bid for Holly valued the company at around $1.4bn, and its $70-per-share tender offer is due to be completed by July 18.

Tyson's bid topped a $1.25bn stock-swap deal Holly had agreed with ConAgra, the flour milling group, and ended eight months of rancorous litigation in the hotly contested takeover.

Holly Farms will add yearly capacity for 7m desperately-needed chickens to Tyson's output of 17m, giving it a 28 per cent share of the US chicken market. But Tyson, following rapid growth, has already been forced to augment its own processing capacity to meet demand. But chickens are not all that Holly will bring to its merger with Tyson. The acquisition will cost Tyson so much that its debt ratio to capital will rise to 83 per cent.

Tyson says part of this will be paid down by the possible sale of some of Holly's assets and interest will be serviced by Holly's cashflow. But a cyclical downturn in the industry could make the going extremely tough, and analysts agree such a downturn could be close.

Mr John McMillin, who follows Tyson for Prudential Bache in New York, says: "Ironically, on the day the deal was closed, broiler prices dropped by 5 cents per lb and if that's not an ominous trend, I don't know what is." Since Tyson launched its first hostile takeover bid for Holly last October, the company has raised its offer by more than a third. Tyson has countered each move by the white knight ConAgra in cash or in court, but ConAgra has managed to come out of the deal very well.

Once Tyson's offer was accepted over the weekend, the company lifted its objection to paying ConAgra compensation for terminating its own stock-swap arrangement with Holly. ConAgra will receive $50m in termination fees, expenses and payment in lieu of buying certain Holly assets as a controversial lock-up clause in its agreement had initially stipulated.

Mr McMillin says: "In the case of the stock, the winner is the loser and vice versa." ConAgra's shares rose by ¾ on Monday to $36¾, although in over-the-counter trading, Tyson's stock also advanced by $¾ to $18⅝.

Mr McMillin believes the acquisition will force a 20 cent cut in Tyson's per-share earnings for its September 1990 fiscal year from $1.45-$1.50 this year to aronnd $1.30 next. Tyson's purchase price for Holly is around 14 times earnings based on per-share income of some $5 for its May 31 fiscal year, which Holly is expected to report in the next few weeks.

But analysts predict that Holly's earnings would see a 20 to 25 per cent drop next year if it still existed as a stand-alone company, as the chicken cycle turns down and the sector becomes more competitive.

Tyson was however, desperate to get its hands on more chickens as its capacity strains to fulfill its lucrative contracts with fast-food restaurants such as McDonalds and Wendy's, which have in turn helped to insulate Tyson from the vagaries of the chicken cycle.

But a 15 per cent drop in the company's pre-tax earnings last year shows it is vulnerable to increasing costs - in this case, a rise in feed prices due to the US drought.

As well as adding some much-needed capacity, Holly also brings a well-known brand name to Tyson which has traditionally not done well in the supermarket.

"Holly has added an element of brand identification to a straightforward commodity business and that's part of the reason for its success," says Mr McMillin. Holly's supermarket distribution chain is also well organised.

By the same token, Holly's food service operations will add ready-prepared beef and pork dishes to Tyson's chicken freezer meals.

Tyson is eager to expand its food service chain which accounts for around 55 per cent of sales, and Holly's operations will almost double that division. Analysts believe this area conld provide significant growth.

Tyson has set itself ambitious annual growth targets of 15 per cent for sales and 20 per ceot for earnings over the next couple of years.

One of the company's main focuses is on expansion ovaraeas, and a year ago it entered an agreement with C.Itoh, tha Japanese trading company to market its fresh chicken in Japan. Tyson says this has been a proven success and it is now looking to Canada and Mexico.

Mr Nap Overton, analyst with Morgan Keegan in Memphis, says there are good reasons for selling US chickens abroad. The US is a prime spot for growing chickens because of tha abundance of feed. In addition, US consumers prefer white meat while dark meat is popular in many other countrias, thareby ensuring a higher overall price for birds.

On top of this, there are few well-known poultry brands overseas. For the time being, howaver, Tyson will have enough to do to absorb Holly. "Over the loog-term, Tyson might just be able to get it to work," Mr McMillin believes, "but I just wonder about the near-term pressures."

Corning up in second quarter

By Roderick Oram in New York

CORNING HAS raported higher fiscal second quarter profits, justifying the optimistic outlook analysts see for the company in such areas as television picture tubes, fibre optics and clinical testing services.

Net earnings from operations for tha three months ended Juna 18 were $69.4m, or 76 cents a share, against $61.5m a year earlier. An after-tax gain of $20.5m, mainly from the sala of shares in International Clinical Laboratories (ICL) made the year earliar final net $82m, or 91 cents. Corning's attempt to takeover ICL was thwarted by a higher bidder. Sales ware $579.8m against $499.8m.

Strong performances from many of Corning's businesses contributed to the higher profits, including television tubes, optical products at Met-Path clinical services.

In fibre optics, "we're seeing a broadening of the US market and growth overseas, particularly in the UK," said Mr James Houghton, chairman.

Consumer products, such as cookware, were below expectations, reflecting inventory reductions at the retail level in North America, higher raw material costs at Revere Ware and sluggish sales in the UK.

Income from joint venture companies rose 8 per cent to $34.6m in the quarter. Good results from overseas fibre optic venture was offset by the translation effect of a stronger dollar and the effect of a strike since settled at a big customer of Samsung-Corning.

For the first half, net profits were $111.2m, or $1.23, against $35.2m or 39 cents, on sales up to $1.11bn from $953.1m.

The latest half-year included a 3 cents a share gain from the sale of a 3.2 per cent interest in Corning Asahi Video Products. The year earlier period included a net 70 cents a share charge with the gain from the ICL sale offset by a 93 cents a share accounting charge for retirees' health benefits.

May puts stores up for sale

By Anatole Kaletsky in New York

MAY DEPARTMENT Stores, the large US retail chain based in St Louis, is to seek a buyer for its Caldor and Venture discount store chains.

The company, which has been undertaking an extensive restructuring in order to improve its flagging performance, said it had asked Morgan Stanley to look for buyers for the two discount businesses which together operate more than 190 stores.

May's decision to pull out of discount retailing may have reflected the intensifying competition in this segment of the market which follows the new marketing strategy of "everyday low prices" adopted by Sears Roebuck, the country's biggest retailer.

Sears decided to move into discounting earlier this year to counter the competitive threat from Wal-Mart, the fastest growing and most profitable retail chain in the US.

Caldor, which operates 120 stores in the Northeastern states, had sales of $1.6bn in 1986 and operating profits of $50m.

The operating margin of 3.1 per cent was viewed by many analysts as inadequate and Caldor has been regarded as one of May's underperforming divisions. May recently cut prices in order to boost volumes and reorganised the chain's stock management systems.

Venture, which runs 73 stores in seven Midwestern states, has recently beeo enjoying much better profit margins than Caldor. In 1988, Venture had sales of $1.3bn and operating profits of $81m, giving the chain an operating margin of 6.2 per cent.

May said it would use the proceeds from the Caldor and Venture disposals to repurchase shares and expand its department store and shoe retailing operations. These were the higher return and faster growing segments of May's business, said Mr David Farrell, chairman.

May's 14 department stores produced profits of $802m on sales of $7.5bn in 1988, while its shoe stores earned $138m on $1.1bn of sales.

Nova to auction off four units

By Robert Gibbens in Montreal

NOVA, THE western Canadian pipeline, oil and gas and primary petrochemicals group, is auctioning four of its subsidiaries worth an estimated C$500m (US$419m).

Nova, led by chairman Mr Robert Blair, acquired Polysar, a Toronto-based chemicals group, last autumn after one of the longest and most bitter takeover fights in Canadian business history.

As a result it now carries debt of around C$2.3bn. In adddition, its primary petrochemicals operation has been hit by sharp drop in world ethylene prices.

Nova is selling Grove Italia, an Italian valve manufacturer, Western Star Trucks, a British Columbian heavy truck producer, and Transquebec & Maritimes Pipeline, a Quebec gas trunkline operator.

The last two are 50 per cent owned.

It is also selling Novalta Resources, a Calgary oil and gas company, estimated to be worth around C$150m.

The group has already sold a communications equipment producer and several other investments for C$170m.

Mr William Wilson, vice president finance, estimates it has sold C$800m of assets this year and will achieve its target of C$1.1bn by the year end.

Mr Blair estimates Nova's 1989 earnings at C$370m or $1.35 a share, down from C$2 a share forecast early this year, which is a larger decline than analysts had been predicting.

Nova shares on Monday dipped below C$10 to a 12 month low. The group was trading around C$15 last autumn.

Mr Blair also plans to reduce other upstream oil and gas holdings and concentrate on expanding its profitable gas pipeline distribution system in Alberta.

He says it will hold on to its 43 per cent interest in Husky Oil for the time being.

Husky is itself divesting around C$500m of oil and gas properties, while investing in a western heavy oil processing plant.

Time rejects Paramount bid

By Roderick Oram

TIME HAS rejected the revised $200-a-share takeover offer from Paramount, advising its shareholders that the $12.2bn bid inadequately reflected the full value of the media group.

The rejection was widely anticipated since Time had said repeatedly it would prefer to take over Warner Communications for $70 a share, or $14bn, rather than lose its independence to Paramount, a rival entertainment group.

Paramount had raised its bid last Friday to $200 a share from its opening offer of $175. Time's advisers say it is worth $350 a share or more, a valuation considered optimistic by some analysts.

Three large Time shareholders have filed a suit in Delaware's Chancery court seeking to block the company's annual general meeting scheduled for Friday.

Four directors are up for re-election at the meeting, including Mr Richard Munro, Time's chairman and chief executive, and Mr Gerald Levin, vice-chairman.

Some large shareholders have indicated they will vote against them as a gesture of their unhappiness at being denied the opportunity of taking Paramount's $200 a share cash offer.

The investors filing suit were an investment group led by Mr Robert Bass, the wealthy Texan, Mr Jerrold Perenchio, a Hollywood producer, and a partnership affiliated with Cablevision Systems. Together they own more than 1m shares and are the largest stockholders to file against Time so far.

They complain that Time has failed to keep shareholders properly informed and that actions it plans to take would reduce the value of their shares by $2.5bn.

BCE sells property arm to Reichmanns

By David Owen in Toronto

BCE, CANADA'S largest conglomerate, has agreed to sell BCE Development (BCED), its 67 per cent-owned property group, to the Reichmann Brothers' Olympia & York Developments (O&Y).

The complex deal, which is valued at C$557m if all securities are tendered, is conditional upon at least 90 per cent of BCED shares not already held by O&Y being deposited. O&Y holds about 2.8 per cent of outstanding BCED common stock.

The deal comes within months of the scrapping of a proposed collaboration with O&Y, which would have given the Toronto-based company a substantial minority interest in BCED. The failure of this proposal was attributed at the time to differences over the future direction of the proposed venture.

Included in the transaction is a US$1.4bn parcel of US real estate assets in areas such as Minneapolis, Chicago and Denver which BCED had previously announced its intention to sell. Under the terms of the present transaction, O&Y will pay C$2.80 per outstanding BCED common share and additional amounts for outstanding warrants and debentures.

The offer is expected to be made by July 15. BCED has agreed to deposit its own 67 per cent BCED stake.

INTERNATIONAL COMPANIES AND FINANCE

French bank sector bounces back

By George Graham
In Paris

THE FRENCH banking sector boosted net profits by nearly 20 per cent last year to an estimated FFr15bn ($2.26bn), recovering from 1987's stagnation under the influence of the October stock market crash.

Mr Philippe Lagayette, chairman of the Commission Bancaire, the French bank regulatory authority, said yesterday that net banking income for the sector had increased by 6.7 per cent last year, but the banks had managed to limit their costs growth to 4.9 per cent; wages, the major element of banks' costs, were restricted to 3.6 per cent growth.

Mr Lagayette warned that individual performances had varied widely. One bank in three had seen its net banking income fall in 1988, while one in two had suffered a drop in operating profits. "We mustn't lose sight of the fact thet the solidity of our banking structures depends not only on the Commission's controls but also on their ability to generate profits," he said.

The Commission plans to keep up its pressure on banks to increase their provisions for bad debts, especially on sovereign debt risks. The French banking sector had provisioned an average of 39.5 per cent of its exposure to the 42 main debtor countries by the end of 1987, rising to an estimated 42 per cent by the end of 1988, in spite of the rise in the valua of the dollar, in which many of these debts are denominated.

Nearly three quarters of the mainstream banks, however, registered a decline in their solvency ratios, largely owing to tha doubling of the risk weighting given to interbank operations, traditionally a large component of French banks' balance sheets.

French banking supervisors have over the last 18 months been hit by four bank collapses, including the rescue of Al Saudi Banque. Mr Lagayette said the Commission had increased the number of inquiries by 10 per cent last year, and boosted the number of investigators by 50 per cent over the last four years.

Confident MBB extols deal with Daimler

David Marsh reports on a West German aerospace company's pro-merger campaign

Messerschmitt-Bölkow-Blohm (MBB), the West German aerospace company on the point of being taken over by Daimler-Benz, is stepping up a campaign in favour of the deal as the Bonn Government prepares to make a decision to approve the transaction in the autumn.

In a brochure drawn up to convince public opinion of the benefits of the merger between tha two groups, MBB says European countries are not large enough to afford more than one leading "systems company" in aerospace.

MBB says that British Aerospace has succeeded in pooling British industry's competence in this field. It claims that, in France, state-controlled Aerospatiale and Dassault, although they remain separate companies, are in practice teamed together.

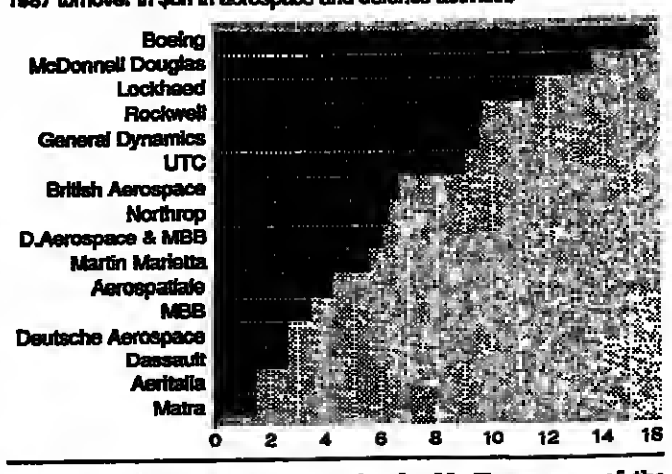
Although the marger remains politically controversial, Mr Edzard Reuter, the Daimler chairman, believes that Mr Helmut Haussmann, the Economics Minister, will give the green light when he decides on the deal in September.

The minister is expected to turn down on the grounds of the country's overriding economic interest the veto by the Federal Cartel Office, which ruled in April against the acquisition.

The Cartel Office said the transaction would give the Daimler group market domination in key areas of defence technology and aerospace. Mr Reuter's confidence about the eventual outcome has been strengthened in recent months by a decision by Mr Haussmann's Free Democratic Party not to put pressure on the minister to reject the deal.

International comparisons

1987 turnover in $bn in aerospace and defence activities



Bonn officials say that one key reason why Mr Haussmann is expected, albeit grudgingly, to approve the merger is because tha Economics Ministry provided the initiative last year in persuading Daimler to take a stake in MBB in the first place.

This was in line with Bonn's long-held desire to restructure West Germany's participation in the European Airbus airliner venture, in which MBB has a 37.9 per cent stake. Rejection by Mr Haussmann of the Daimler-MBB link would leave the Bonn Government exposed to a court suit by Daimler in which the Stuttgart-based motor giant would have a fair chance of success.

The Daimler-MBB link is due to dominate today's annual meeting of Daimler-Benz in West Berlin.

Daimler is set to absorb MBB into its fledgling Deutsche Aerospace group, one of three operating subsidiaries to be set up beneath the Daimler holding company under a restructuring plan which will be debated at the meeting.

In view of falling group profits and doubts about the management *strategy* behind the company's diversification into the aerospace and defence technology, shareholders' discussions are expected to be more than usually animated.

Both Daimler and MBB are trying to play down the importance of the new group in terms of its size and competitive position. The MBB brochure makes the point that Daimler-Benz and MBB together will add only 40,000 employees to the 338,000 workers at Daimler. In comparison, Siemens and Volkswagan employ 359,000 and 260,000 respectively.

Mr Gustav Bittner, a senior MBB executive dealing with international partnership programmes, says the merger is not aimed at taking away business from other European aerospace groups. He points out that work-sharing has already been decided in international collaboration ventures in which MBB is involved, such as the Airbus 330/340 airliners and the European Fighter Aircraft. The Daimler-MBB link adds up simply to "improving the structure" of the German aerospace industry, Mr Bittner says.

This low-key view contrasts with more visionary statements by Mr Reuter in which he has set down the objective of building up "systems leadership" in aerospace at present held (in Europe) by Britain and France. For future generations of joint aerospace projects, Mr Reuter is clearly suggesting that Daimler will be bidding for business at present held by British and French groups.

Another point of discussion at today's Daimler meeting in Berlin is likely to be the proposal outlined by Mr Haussmann last week to limit the power of banks over industrial companies.

Following a theme which has periodically exercised public opinion during the last few years, Mr Haussmann has suggested a 15 per cent ceiling for banks' company stakes. This would require the Deutsche Bank to unload nearly half its 28 per cent shareholding in Daimler.

Mr Haussmann's suggestion may be part of a move to show that, by giving the green light to the Daimler-MBB deal, he would also be cracking down on the unusual power combination represented by Daimler and Deutsche Bank.

Mr Wolfgang Kartte, the head of the Cartel Office, has, however, pointed out this week that a new law to require banks to sell off large industrial shareholdings would be impractical at the moment. An attack on the banks' industrial stake could not be carried out at a time when German industry was preparing to face additional competition from a more integrated European economy, Mr Kartte said.

Instead, he favoured a regulation requiring that banks' board members could no longer sit on the supervisory boards of companies which competed with each other – at present, a common practice.

Hatibudi sells 50% UE stake

By Wong Sulong in Kuala Lumpur

HATIBUDI, a private company operated by Malaysia's ruling United Malays National Organisation, Umno, has sold its entire 50 per cent stake in fast-growing United Engineers for a substantial profit.

According to a senior Umno source, the shares in UE were sold at 7 ringgit a share. Hatibudi owns 25m ordinary shares of UE and 37.5m units of convertible loan stock, and at 7 ringgit, the sale would raise 437.5m ringgit ($162m).

Hatibudi bought the shares and convertible loan stock at less than 60m ringgit in 1986, as part of a major restructuring scheme for the then loss-making UE.

Following the Hatibudi takeover, UE was given the contract by the Malaysian Government to build and collect tolls for the 770-kilometre, 3.5m ringgit North-South Highway and, as a result, the company has made a dramatic turnaround.

The senior Umno source said the Hatibudi stake in UE was placed out to institutional investors recently by the government assignee, but he did not identify the buyers.

The Umno assets, including the party's 37-storey headquarters, are currently being held by the government assignee, following a legal dispute among party members which led to the party's deregistration early last year.

The party has since been reconstructed by Mr Mahathir Mohamad, the Prime Minister, but the assets continue to remain under the government assignee, although the party has said it plans to apply to the courts to repossess its assets.

UE, which was set up by the British more than a hundred years ago, recorded group pre-tax profits of 46.8m ringgit for last year.

LTA passes on dividend

By Jim Jones in Johannesburg

LTA, one of South Africa's largest construction and civil engineering groups, almost doubled its operating profit in the past financial year, but has again not declared a dividend because of concern over debt, interest rates and claims against contracts.

Turnover advanced to R1.86bn ($600m) in the year to March 31 this year from the preceding year's R1.24bn. The operating profit before interest and tax increased to R20m from R10.3m and the pre-tax profit rose to R14.8m from R9.3m. Earnings doubled to 48 cents a share from 24 cents.

LTA's earthworks and construction divisions both increased their profits and are forecasting further improvements this year.

In contrast, some of the building interests registered losses, while profits from civil engineering fell.

Mr HK Davies, the chairman says any improvement in LTA's debt and interest burden will be felt later rather than earlier in the year.

LTA is controlled by Anglo American Corporation, South Africa's largest mining house.

Great Eagle helped by new rental properties

By Michael Marray in Hong Kong

GREAT EAGLE, the Hong Kong-listed property development and investment group controlled by the Lo family, has reported profits after tax and minorities of HK$375m ($48.12m) for the six months to 31 March. This was helped by a HK$340.33m exceptional item arising from the still-to-be-completed sale of the Tregunter residential development.

Buoyant market conditions during the period, and the bringing on stream of several new properties for rent, saw operating profits rise to HK$85.2m from HK$30.4m.

A statement from the company said that the HK$1.8bn Tregunter transaction, in which a luxury block of flats is being sold to Malaysian entrepreneur Mr Lee Ming Tee's Allied Properties Group, is scheduled to take place on 31 July.

The deal was agreed in February. Since then events in China have cast a shadow over the local property market. Transactions have ground to a halt in anticipation of a drop in sale prices.

The rental market for both residential and office space is, however, seen as remaining strong. Great Eagle said in a statement that the local property market continued to have good potential. It said that planning work was proceeding on a multibillion-dollar urban renewal scheme in Kowloon, in which Great Eagle holds a 70 per cent stake. Minority shareholders include the British P & O group, Japanese trading house C. Itoh and the Chicago Pritzker family.

● Park Lane Hotels International, a Hong Kong hotel group, has acquired the 178-room Grand Bay Hotel in New York and is taking a stake in a A$450m (US$347m), 580-room joint venture hotel to be built in Sydney.

INTERNATIONAL CAPITAL MARKETS

UK securities firms closer to gaining Tokyo SE seats

By Robert Thomson in Tokyo

THE troublesome matter of Tokyo Stock Exchange seats for two British firms, Barclays de Zoete Wedd (BZW) and James Capel Pacific, appears to be near the end of its journey through Japan's long and winding halls of commerce, after almost two years of impatient prodding by the British Government.

A hint from the head of the stock exchange, a positive forecast yesterday from an unidentified Japanese Ministry of Finance official in the local press, and a few winks and nods to British officials suggest the seats will probably be available for the taking by the two firms next summer.

A BZW representative said yesterday: "We have our fingers crossed. We have been patiently gearing up for this."

Mr Roger Atkins, the managing director of James Capel Pacific, has not been told anything officially. But has noticed the positive signs and hopes the seats will be occupied "some time next year."

Mr Atkins, along with many Japanese officials, has been surprised by the energy committed to the cause by the British Government, whose ministers never fail to raise the issue when visiting Tokyo.

He said the issue had become a "matter of principle" for the Government, but the vehemence in presentation had been, on occasion, "embarrassing."

The prickly issue arose when the Tokyo exchange failed to offer BZW, the broking arm of Barclays Bank, and James Capel memberships in December 1987, when 16 other foreign firms were seated.

The stock exchange took note of the constant complaints but argued there was simply no room in the cluttered exchange for new companies. There were suggestions that the two British firms would have to wait in hope of a consolidation by smaller Japanese traders or for the reform of computer trading.

PLANS to allow more foreign securities firms to become members of the Tokyo Stock Exchange will be unveiled at the Paris summit meeting of the Group of Seven nations in mid-July, Reuter reports.

However, the firms will not be admitted before summer next year, according to the Japanese Ministry of Finance.

The ministry said the move was aimed at preventing international friction, especially with the UK. It added that discussion with the Tokyo exchange on the details would begin soon.

It appears the extension of computer trading will eventually provide the solution.

The stock exchange has a committee examining the problem and indications are that smaller trades by leading companies will be computerised. The trading floor would then remain the privilege of companies with large turnover.

But these are sensitive matters within the Japanese financial community, and are yet to be put to a vote by exchange members. The members are supposed to determine collectively their own destiny and some oppose a lesser role on the trading floor.

Therefore there is a certain degree of caution among British officials, who realise it would be a loss of face for TSE members if the matter were presented as complete before they formally presented their opinions.

The issue is expected to be discussed at bilateral meetings next month. Japanese officials are known to feel it would be a positive move to present a polished proposal to Mrs Margaret Thatcher, who has taken a personal interest in the subject, when she visits Tokyo in September.

Curiously, however, another party with a vested interest is the Hokuriku Bank, a regional bank based in western Honshu, the main Japanese island.

The bank has been waiting three years for approval from the Bank of England for a London branch licence and officials are fully aware that one of the reasons for the delay is what they call "politics" – the BZW and James Capel problem.

While the Bank of England does not want the issue to be seen as one of crude reciprocity – a branch licence swapped for a couple of TSE seats – the Hokuriku Bank is aware that debate within the Tokyo exchange and Ministry of Finance over the British cases is crucial to their cause.

The bank, regarded as one of the most successful of Japan's 64 regional banks and ranked by deposits as 78th in the world, is almost certain to be the next Japanese bank to gain a London licence.

The cost of the seats is yet to be determined, but the 16 foreign companies accepted in December 1987 were expected to pay a Y1.2bn ($8.5m) membership fee.

Results for the firms, which joined six other foreign seat holders, have been mixed, with Salomon Brothers, the most successful of the securities companies, making the majority of its profits from bonds.

Salomon turned in pre-tax profits of Y7.6bn in the six months ended March 1988, having suffered crash-induced losses of Y5.8bn a year earlier. The next most profitable foreign firm was Goldman Sachs, which made a Y1.82bn profit for the six months.

Mr Atkins, of James Capel, said the advantages of a seat on the Tokyo stock exchange included not having to pay a 20 per cent commission to members for share deals and the prestige, which is particularly important in attracting Japanese clients. He added that the awarding of seats next summer would be acceptable to the company as long as it was given enough notice to make adequate preparations.

LTOM to launch long-dated index option

By Katharine Campbell

THE London Traded Options Market will next Monday launch a long-dated option on the FT-SE index.

The new instrument will bear a one-year maturity and will be "American style," which allows a holder to exercise an option at any time during its life. The longest FT-SE option currently available on the exchange runs for four months.

At the same time, the London International Financial Futures Exchange is altering the specifications of its FT-SE future, so that the price quoted in the pits is expressed in identical terms to the real-time equity index itself. The futures price was previously quoted at a tenth of the index level.

Both moves are the product of surveys undertaken separately by the two exchanges, designed to focus on ways of boosting business in products which have vastly underperformed their potential.

In the LTOM's case, the recent level of interest in long-term equity market risk management via warrants and over-the-counter index products – a niche profitably promoted by Bankers Trust and others – prompted officials to consider an exchange-traded alternative.

One official noted that investors who wanted to sell back their warrants to the issuer before maturity often received a poor price.

If the exchange can create a liquid product it ought to help even-out the pricing structure in what, up until now, has generally been an issuer's market.

The LTOM plans to review the product in December, when options with six- and nine-month maturities might be added.

Liffe has concluded that a one-year future is not yet warranted.

Other index products are also being mooted. The LTOM is examining a two- or three-year option on the FT All Share index, the benchmark for most fund managers.

Following the excitement surrounding index participations in the US, the London exchange has completed a study on their applicability for the home market. IP's are a way for institutional and private investors alike to trade what is effectively a basket of stocks parcelled into a single tradeable instrument.

While significant tax and regulatory hurdles remain in the UK, those brokers which do not view the new investment vehicles as a threat to their underlying equity business are enthusiastic.

Omnicom considers Euro-issue

By Nikki Tait

OMNICOM, the world's fourth largest advertising agency group, said yesterday it was considering making a $100m Euro-convertible subordinated debenture issue.

Timing of the issue has not yet been decided and depends on market conditions. However, it is possible the issue could go ahead this week. The company has recently seen institutional investors in Zurich and Geneva, and directors of the US-based group were in London yesterday to speak to investors.

The issue is being handled by Morgan Stanley, the US investment bank, and Swiss Bank Corporation. Last November Omnicom made a slightly smaller convertible issue in the US.

Omnicom recently took over Boase Massimi Pollitt, the UK agency and marketing service, in a "white knight" deal which topped a rival offer from the French Boulet Dru Dupuy Petit group.

The £125m ($195m) bid, which was declared wholly unconditional last week, left Omnicom with gearing – on the basis of net debt to share capital – of about 48 per cent.

Yesterday, Omnicom said the figure might drop to less than 40 per cent if certain disposals of BMP units took place.

Mr Bruce Crawford, Omnicom chairman, added that the company had been discussing possible future options with the management of Ammirati & Puris, the US agency which became part of BMP in 1987.

"In time," he said, "I expect they'll make their wishes known."

Analysts in London suggest that Ammirati is the one area where significant client conflicts with Omnicom might arise – although Mr Crawford stressed that no problems had arisen "in the eyes of any Omnicom clients."

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on June 27

US DOLLAR STRAIGHTS

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
B.F.C.E. 9¼ 95	150	101⅞	102¼	+0⅛	+1	8.83
Brit. Tel. Fin. 9⅝ 98	250	102⅝	103¼	0	+0¼	8.90
BP America 9¾ 99	250	†104⅛	104⅜	+0⅛	+0¼	9.02
Canada 9 96	1000	102¼	102¾	+0⅛	+0⅞	8.48
Canadian Pac 10¾ 93	100	†101⅞	102⅜	0	0	10.03
C.C.C.E 9¼ 95	300	101⅜	102⅛	+0⅛	+0⅞	8.80
C.N.C.A 9¼ 93	150	100¾	101¼	+0¼	+0⅛	6.06
Credit National 8¼ 93	200	97⅞	98⅜	+0⅛	+0¼	8.91
Credit National 7⅞ 92	100	95⅞	96⅜	+0⅛	+0⅜	0.97
Credit National 9½ 92	160	102	102⅜	+0¼	+0¼	0.74
Dai-Ichi Kan 9⅝ 92	150	101⅛	101⅜	+0⅛	+0½	9.04
Denmark 7¼ 92	500	95⅜	95¾	+0¼	+0⅛	9.06
E.E.C. 7 91	100	93¾	96¼	+0¼	+0¼	8.86
E.E.C. 7¼ 93	250	95	95¼	+0⅛	+0¼	8.83
E.E.C. 10 93	140	103½	104	+0⅛	+0¼	8.76
E.I.B. 9¼ 97	150	103¼	103¾	+0¼	+1	8.75
Eurofima 10¼ 93	100	†104¼	104½	+0⅛	+0⅛	8.72
Elec. De France 9 98	200	101	101½	+0¼	+1¼	8.78
Elec. De France 9½ 99	200	104⅛	104⅝	+0½	+1½	8.78
Finland 7⅞ 97	200	94½	95	0	+0⅛	8.84
Finland 9 96	250	†100⅞	101	+0⅛	+0¼	8.82
Finn.Exp.Cd. 8½ 92	200	98½	99	+0¼	+0½	9.01
Finn. Exp. Cd. 9¼ 95	200	101⅜	102⅜	+0¼	+0⅞	8.93
Finn. Exp.Cred.10¼ 91	100	101⅜	102⅜	-0¼	-0¼	9.25
Ford Motor Credit 8 91	250	†97½	98	0	0	9.42
Gen.Elec.Cap.Corp. 9 93	500	†99½	100	0	+0¼	9.04
Gen.Elec.Cap.Crp.10 1/291	300	102	102½	0	+0¼	8.98
Gen.Mtrs.Corp. 9¼ 92	200	99¾	100¼	+0¼	+0½	9.12
IBM Credit Corp. 8⅞ 91	250	99⅞	100⅜	+0¼	+0½	8.77
IBM Credit Corp. 9½ 92	250	101½	102	+0½	+0½	8.69
IBM Credit Corp. 10 92	200	103¼	103¾	+0¼	+0⅛	8.60
Italy 9½ 95	1000	102⅞	103⅞	+0⅛	+0¼	8.87
Italy 9⅜ 99	1000	—	—	—	—	—
Japan Dev. Bank 10 96	200	105¾	106⅜	+0⅛	+0⅞	8.79
L.T.C.B.of Japan 9¼ 92	200	100¾	101¼	+0⅛	+0⅛	8.90
Metropolis Tokyo 9½ 93	200	101½	102¼	+0¼	+0⅛	8.87
Nippon Tel.&Tel. 9¼ 98	250	103⅛	103⅜	+0⅛	+1¼	8.80
Norway 8¾ 93	500	†99⅜	99⅞	+0½	+0¼	8.85
Portugal 8¼ 91	300	†97¼	98¼	+0¼	+0⅞	9.51
Prudential Crp. 8¼ 94	125	99¼	99¾	0	0	8.87
Sumitomo Bank 9⅜ 92	150	†101	101½	+0½	+0½	9.13
Sweden 7 91	250	96⅛	96½	+0⅛	+0¼	8.86
Sweden 8¾ 96	200	99¾	100⅛	+0½	+0⅞	8.74
Sweden 8½ 92	200	†98½	99	0	+0¼	8.95
Toyota 9½ 91	200	101¼	101½	+0¼	+0¼	8.87
Victorian Rep 11¼ 92	150	105½	106	0	+0¼	9.21
World Bank 7 92	300	†95¾	96¼	+0½	+0½	8.76
World Bank 9 97	300	101¼	101¾	+0¼	+1¼	8.73
World Bank 9 93	300	100¾	101¼	+0½	+0⅛	8.73
World Bank 9¼ 98	300	103	103⅜	+0¼	+1⅞	8.71
World Bank 9⅜ 99	500	105⅜	105⅞	+0½	+1¼	8.74
World Bank 9¾ 96	300	104⅞	105¼	+0¼	+0⅜	0.53

Average price change... On day +0⅛ on week +0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	95¼	95¾	-0¼	-0⅛	7.01
Austria 6¼ 99	750	98¼	99	-0¼	-0⅛	6.91
Bank of Tokyo 5¼ 93	100	95⅞	96¼	+0⅛	+1½	7.05
Commerzbank o/s. 5¼ 93	300	95⅜	93⅞	+0¼	0	6.79
Credit Foncier 6¾ 99	500	98⅞	99	-0¼	-0⅛	7.91
Degussa Int. 6⅛ 97	200	96	96⅛	0	+0¼	6.72
E.I.B 5½ 98	150	90½	91¼	-0¼	0	6.95
E.I.B. 6¼ 99	600	95	95⅛	0	-0¼	6.92
E.I.B. 6⅛ 96	300	95⅞	96½	0	-0¼	6.84
E.I.B. 6½ 99	300	96¾	97½	-0¼	-0⅛	6.91
E.I.B. 6⅞ 95	300	100¼	101	-0¼	-0¼	6.74
Euro.Coal& Steel 5¼ 97	175	93¼	94	0	-0¼	6.97
Eurofima 6¼ 96	100	95⅝	96⅜	+0¼	+0⅛	6.99
Elec De France 5¼ 97	300	93⅛	93⅜	-0⅛	0	6.86
Forsmark Krtg. 5⅛ 93	200	93¼	94¼	0	+0½	7.07
Hydro-Quebec 6¼ 99	300	98⅞	99¼	-0⅛	-0¼	6.89
Japan Dev. Bk. 5⅜ 95	300	95⅛	96¼	+0½	+1¼	6.21
Japan Finance 5¼ 97	100	92⅞	93½	0	-0½	7.00
Ireland 6½ 97	300	96¾	96⅞	0	+0¼	7.09
Malaysia 6¼ 94	150	96¼	96⅝	0	0	7.10
Nat. West BK. PLC 6 98	300	93¾	94⅛	+0¼	+0½	6.97
N.H.L. Finance 6¼ 95	200	†95⅞	96¼	+0¼	+1⅞	7.07
Nippon Telg.&Tel. 6 95	400	96⅛	96⅞	+0¼	+0½	6.32
Oesters. Kontbk. 5 93	300	95¼	96	+0⅛	+0⅛	6.39
Portugal 5¾ 92	150	96¼	97	-0½	-0⅛	6.99
Portugal 6⅞ 95	150	98¼	98⅞	-0⅛	0	6.96
Privatbanken 5¼ 93	150	93⅝	94	-0¼	-0½	7.28
Royal Insurance 5½ 92	300	96	96½	+0¼	-0⅛	7.02
Soc Cent Nuclear 7¼ 95	150	99⅞	100⅝	0	0	7.20
Turkey 6½ 93	500	94⅜	95¼	+0¼	+0¼	7.58
Union Bk.Finland 5½ 94	200	95⅜	95¾	+0⅛	-0¼	6.66
Westlb. Finance 5 93	200	†93¼	93¾	0	0	7.06
World BK. 6¼ 97	600	97⅜	97⅞	-0⅜	-0½	6.85

Average price change... On day 0 on week +0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†95	95¾	+0⅛	+1⅛	5.81
Asfinag 5 03	100	†91	92	-0⅜	-3⅜	5.90
B.F.C.E. 4½ 98	200	†92	92½	-0¼	+0¼	5.61
B.M.W.Fin.Neth. 5 13	150	†88¼	88½	0	-0¼	5.92
Britannia B/S. 4¼ 94	100	†92¼	92¾	-0⅛	-0¼	6.04
CIR. Int. W/W 3 93	125	†93⅜	93⅞	+0⅛	-0¼	4.83
Credit Lyonnais 4¾ 00	100	†90¼	90¾	0	+0⅛	5.96
E.I.B 4¼ 98	150	†91½	92	-0⅜	+0⅛	5.83
Fletcher Chall. 4⅞ 98	150	†90⅞	91½	+0¼	+0⅞	6.21
Kobe City 4¼ 98	150	†92⅞	92¾	-0¼	+0¼	5.71
Leeds Perm. B/S. 4¼ 93	200	†93¾	94	+0¼	+0⅛	5.97
Malaysia 5⅛ 98	100	†91	91¼	+1	+4	6.58
Maxwell Comm.Crp. 5 95	150	†89⅞	90	-0¼	-0¼	7.14
Nat.Bk. Hungary 5½ 94	75	†94	95	-0⅜	-0½	6.72
Nationwide Ang.B/S. 4 93	200	†91⅜	92	-0¼	0	6.38
Nippon Telg.&Tel.4¼ 95	200	*†93⅜	95¼	0	+0⅛	5.49
Oesters.Ktbk. 5 03	75	†91½	92½	0	-1⅛	5.85
Prov. Newfoundland 5 03	150	†92	92¾	0	-0⅝	5.79
Thailand 4⅜ 95	200	†91	93	0	0	6.25
World Bank 5 03	150	†94	95	+0½	0	5.57

Average price change... On day 0 on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6¼ 91	80	101	101¼	0	0	5.37
Canada 5⅝ 93	80	101¼	101½	0	+0¼	5.27
Eurofima 5 1995	20	98	98¼	0	+0⅜	5.35
E.I.B. 4¾ 93	30	98¼	98½	0	+0¼	5.36
Ireland 5⅛ 93	30*	99⅛	99⅜	-0⅛	0	5.27
Norway 5⅛ 95	50	98¾	99¼	0	+0⅜	5.33
Sweden 4⅞ 93	50	97⅞	97¾	-0¼	+0¼	5.35
World Bank 5⅛ 98	10	97⅞	98¼	-0⅛	+0¼	5.43
World Bank 7 94	20	106½	107	0	+0¼	5.37

Average price change... On day 0 on week +0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 11¼ 95 £	100	†96¼	97⅜	0	-0½	12.36
Aegon 7¾ 92 FL	100	101¼	101¾	+0⅛	0	7.78
Alg. Bk. Ned. 5¾ 93 FL	200	94⅛	95¼	+0⅜	+0⅜	7.36
Austria 7⅛ 94 ECU	100	95⅝	96⅜	0	-0¼	8.58
Bk.Nova Scot.14¼ 90 A$	75	93	96	0	-0¼	18.03
Barclays Aus.13½ 91 A$	100	95¼	95½	+0⅛	+0¼	16.01
Belgium 8¼ 94 Ecu	150	97⅜	98¼	0	-0¼	8.64
BP Capital 9⅞ 93 £	100	93	93¾	+0⅛	+0¼	12.08
British Airways 10 98 £	100	90⅞	90½	+1⅛	+0¼	11.83
Buhrmann-Tet. 6⅞ 93 FL	100	95½	96¼	+0⅜	+0⅛	7.59
Comm.Bk.Aust. 12¼ 93A$	100	†93	93½	0	0	15.00
CrLocalFrance 9¼ 92Ecu	100	101¼	101⅝	0	-0¼	8.65
Deut.Bk.Aus. 13¾ 93 A$	125	95½	96	+0¼	+1¼	14.67
Deutsche Bk.Fin. 15 94 A$	100	101⅞	101⅜	+0¼	-0⅛	14.47
Eastman Kodak 13 90 A$	100	93	93⅜	0	-0¼	17.87
E.I.B. 7 96 LFr	100	96½	97½	-0⅛	0	7.58
E.I.B. 9 99 Ecu	150	101¼	102¼	0	0	8.68
Eurofima 7½ 94 Ecu	100	95¼	96¼	0	-0½	8.70
Export Dv.Crp.8¾ 92Ecu	100	99¾	100¼	-0¼	-0⅜	8.73
Fed.Bus.De.Bk.9¾ 92 C$	75	†98⅞	98⅞	-0¼	+0¼	10.30
Fed.Bus.De.Bk.10½ 93C$	50	100¼	100⅝	+0¼	-0⅜	10.38
Ferrv. Stato 7⅞ 95 Ecu	100	96¼	96¾	0	-0¼	8.83
Ford Cr.Can.10¼ 93 C$	100	†100½	101	-0¼	+0¼	10.45
Ford Cred.Can.10⅜ 96C$	125	—	—	—	—	—
Ford Cred.Fund.10¼ 93£	60	94⅞	95⅜	+0¼	+0⅜	12.29
Ford Mtr.Cred.7¼ 93Ecu	100	97	97⅜	0	0	8.81
G.M.A.C.Canada 11 3/494C$	100	103½	104⅜	-0½	-0¼	10.69
Heineken 7⅜ 94 FL	150	100⅞	101⅜	0	+0¼	7.70
Hydro-Quebec 11 99 C$	400	104¼	104⅜	0	-0½	10.22
Lloyds Bank 10¼ 98 £	150	90	90¼	+0⅛	0	12.10
Lloyds Bank 11⅜ 98 £	100	94½	95⅜	+1	+0⅜	12.31
Montreal Tst.10¼ 93 C$	100	†99¼	99⅜	-0¼	+0½	10.90
Morgan Guar.Tst. 11 91 C$	150	†100	100⅜	+0¼	+0⅞	10.71
Nat. Aus. Bk. 14⅞ 94A$	100	99¼	100	0	+0¼	14.79
New Zealand 9½ 93 £	100	91¼	91¾	+0⅛	+0¼	12.39
Philips Gleoil. 6 95 FL	300	95½	96	+0¼	+0¼	7.23
Privatbanken 7½ 94 LFr	500	97⅞	98⅜	-0⅛	0	7.91
Royal Bk.Scot.10⅛ 98 £	125	†92	92⅜	-0⅛	-0¼	12.14
Saskatchewan 9⅞ 91 C$	150	†98½	99	-0⅛	+0¼	10.56
Saskatchewan 10¼ 93 C$	200	99¼	99⅜	-0½	-0½	10.36
State Bk.NSW. 13⅞ 93A$	100	95¼	95⅝	+0⅛	+0¼	15.31
Sweden 15 94 A$	100	102½	102	0	-0¼	14.40
Toyota Mtr.Cr.11⅛ 92C$	150	102¼	102⅝	-0¼	+0⅛	10.37
World Bank 13¾ 92 A$	100	99¼	99⅝	+0¼	+0½	13.61
Zentrspk. 13¾ 93 A$	75	†94¾	95¼	+0¼	+0⅜	14.86

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.99	100.04	18/07	13.08
Bank of Greece 99 US$	0¼	99.69	99.79	8/09	10.62
Belgium 91 US$	0	100.20	100.30	19/08	9.38
Chelt.& Gloucester 94 £	.063	99.88	99.93	30/08	14.06
Credit Foncier 98 US$	.063	100.25	100.35	20/10	10.16
Dresdner Finance 99 DM	.031	99.98	100.08	27/07	6.59
EEC 3 92 DM	0	100.67	100.77	20/08	5.63
Halifax BS 94 £	.1	100.00	100.05	6/08	12.97
Invt. In Industry 94 £	0¼	100.02	100.12	24/08	14.06
Leeds Perm. B/S. 94 £	0⅛	100.12	100.17	13/07	13.34
Midland Bank 01 £	.1	98.38	98.72	11/08	12.97
Milk Mkt.Brd. 5 93 £	0⅛	100.02	100.07	30/06	13.06
New Zealand 5 97 £	.07	99.99	100.08	22/08	13.19
State Bk. Nsw. 98 US$	.188	100.51	100.61	11/08	9.87
Woolwich Equit.BS. 93 £	0⅛	100.15	100.20	13/07	13.37
Woolwich 5 95 £	0¼	100.00	100.05	22/08	13¼

Average price change... On day +0.00 on week +0.04

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6⅜ 02 US$	†8/87	62	117½	118½	-0⅞	8.18
Amer. Brands 7¾ 02 US$	9/87	56.7	126	127	-1¼	0.84
Ashikaga Bank 2¾ 02 US$	†4/87	967.	124	125	+1	2.47
Asics 5 92 DM	12/83	472.7	249½	251	0	5.85
CBS. Inc. 5 02 US$	4/87	200.	106⅞	107⅞	+0⅛	2.27
Primerica 5½ 02 US$	4/87	66.75	68⅞	69¼	-0¼	94.92
Eng.China Clay 6½ 03 £	9/88	4.8	103¾	104¾	+0¼	3.39
Fujitsu 3 99 US$	5/84	1106.	220	221	-3⅛	-2.13
Land Secs. 6¼ 02 £	6/87	6.72	96⅛	97⅛	-0¼	11.47
Minolta Camera 2¼ 94DM	2/86	1004.	110½	112¼	-0½	7.89
MCA Inc 5½ 02 US$	9/87	69.62	97⅜	98⅜	-0¼	12.00
Mitsubishi Bk. 3½ 04US$	5/89	3266.	94	95	0	3.28
Mitsui Trust 2⅞ 01 US$	10/86	1903.	119⅜	120¼	+0¼	5.39
Next Plc 5¼ 03 £	11/87	4.3	98½	99½	+0¼	208.40
[illegible] Bk.2⅞ 03 US$	4/88	804.	114	115	-0½	-4.90
Omron Tateisi 2¾ 02 US$	4/87	1310.	260⅛	261⅛	-5	-0.73
Ranks Hovis 4¾ 03 £	1/88	3.5	128¼	129¼	0	-1.61
Redland 7¼ 02 £	1/87	5.4	106¼	107¼	+0¼	0.95
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	90½	91½	-0¼	27.81
Sumitomo Bank 3¼ 04 US$	2/89	4296.	83⅞	84⅞	-0⅛	15.83
Texas Inst. 2¾ 02 US$	9/87	82.87	75⅛	76⅛	-0¼	52.02
W.R. Grace 6¼ 02 US$	9/87	42.12	93½	94½	-0⅛	24.21

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Long gilt prices surge as base-rate fears subside

By Norma Cohen in London and Karen Zagor in New York

GOVERNMENT BONDS

UK GOVERNMENT bond prices staged a spectacular rally yesterday with long-term issues rising as much as two points on better than expected trade data, which boosted sterling and allayed fears that a further base-rate rise was imminent.

The UK current account and trade data showed deficits of £1.32bn and £1.72bn respectively, against the average market forecast of shortfalls of £1.7bn and £2.1bn.

Dealers said short covering boosted prices slightly ahead of the trade data, with a big buying spree occurring immediately after the figures were released.

However, in spite of the high volume of business many participants appeared to be domestic speculative accounts, which purchase paper for short-term profits.

Any further gains will depend on concrete signs that interest rates are headed downward – unlikely in view of current inflation data, no matter what improvement is seen on the trade front.

In addition, yields on some key long-term issues have reached levels that investors will be reluctant to depress further. For instance, the yield on the 11¾ per cent stock due 2003/2007 briefly fell through 10 per cent before recovering to close at 10.028 per cent. It closed on Monday at 10.274 per cent.

■ JAPANESE government bond yields eased as the dollar slipped below Y140, following the pattern seen in recent weeks in which currency considerations override all others.

The benchmark No.111 traded at a yield of 5.39/38 per cent after closing yesterday in London at 5.42 per cent and at 5.40 per cent in Tokyo. Dealers said that activity in JGBs in Tokyo and abroad had been dulled by the current high short-term interest rates which forced investors to carry positions at negative returns.

Yesterday, for instance, three-month negotiable CDs were yielding 5.48/53 per cent, as much as 10 basis points more than returns on 10-year bonds.

Meanwhile, dealers reported little disruption stemming from last week's upset of the ruling Liberal Democratic Party in local elections, with foreign investors rather than domestic investors focusing on political developments.

While the LDP may well lose in further elections in the next few weeks, the defeats are not expected to result in changes to economic or monetary policy.

■ SWEDISH government bond prices closed little changed although yields rose initially following the Swedish Debt Office's SKr3bn issue in 11-year bonds.

An average yield of 11.28 per cent was set on the bond, which has an 11 per cent coupon. This compared with a yield of 11.28 per cent on Monday's closing price for 10-year bonds. There are no other 11-year government bonds on the market.

However, yields eased later in the day following news of a smaller than expected 0.3 per cent rise in Swedish producer prices in May, below the 1 per cent rise recorded in April.

The Debt Office said it had received bids worth Skr5.64bn. Accepted bids ranged between yields of 11.19 and and 11.31 per cent.

Foreigners who will be eligible to purchase government securities from July 1 were not able to buy bonds in the auction as their payment date is June 30.

An average yield of 11.28 per cent was set on the bond. This compared with a yield of 11.26 per cent on Monday's closing price for 10-year bonds.

■ US TREASURY bonds traded on a firm note after slipping to their Monday levels following a rumour, quickly denied, that Mr Alan Greenspan, the Federal Reserve chairman, had suffered a heart attack.

The bond market picked up again after the Fed reported that Mr Greenspan had been admitted to hospital for heat stroke following a strenuous tennis match.

Immediately after the rumour hit the market the Treasury's benchmark 30-year long bond dropped to stand unchanged from Monday's close. By early afternoon it was up ⅜ point at 108⅜, yielding 8.09. The Fed did not enter the market and Fed funds stood at 9¾ per cent.

The dollar traded at about Y140.50, below its Monday highs, throughout the morning in choppy trading in New York. However, by early afternoon the US currency was above the Y141 level at Y141.05 and DM1.9556, compared with Y141.15 and DM1.9579 in late Monday New York trading.

The bond market now seems impervious to the more moderate fluctuations of the dollar. In the past week bonds have risen consistently on the back of both a higher and lower US currency.

In the absence of any economic news, yesterday's debt market was focused on the $8.75bn two-year note auction.

The market was also expecting further evidence of a weakening of the US economy from today's release of the index of leading economic indicators.

Analysts expect the index to show a decline of 0.9 per cent in May. In April the index rose 0.8 per cent after a drop of 0.6 in March.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	105-27	+1	11.28	11.49	11.20
		9.750	1/98	85-24	+116/32	10.52	10.70	10.37
		9.000	10/08	95-10	+2	9.51	9.68	9.38
US TREASURY *		9.125	5/99	108-23	+14/32	9.12	8.32	9.00
		8.875	2/18	108-20	+20/32	8.10	8.30	8.63
JAPAN	No 111	4.600	6/98	95.2472	+0.174	5.39	5.50	5.48
	No 2	5.700	3/07	105.1958	+0.097	5.14	5.19	5.11
GERMANY		7.000	2/99	101.8000	-0.200	6.73	6.71	6.98
FRANCE	BTAN	8.000	1/94	98.6111	-0.247	8.91	8.90	8.98
	OAT	8.125	5/99	96.6900	-0.150	8.63	8.64	8.82
CANADA *		10.250	12/98	105.5000	-0.125	9.36	9.48	9.76
NETHERLANDS		7.000	3/99	99.0750	-0.025	7.13	7.12	7.47
AUSTRALIA		12.000	7/99	91.8888	-0.391	13.54	13.69	13.93

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Wells Fargo in fund link with Nikko

By Anatole Kaletsky in New York

WELLS FARGO, the San Francisco bank which has become the biggest single force in US indexed investment and programme trading, will be transferring the bulk of its worldwide fund management activities into a joint venture with Japan's Nikko Securities.

Wells Fargo announced yesterday that Nikko had agreed to pay about $125m in cash for a 50 per cent interest in a newly-formed joint venture which would incorporate both Wells Fargo Investment Advisors and Wells Fargo Bank Advisors Trust Division.

Wells Fargo said the venture would become the "first large-scale global investment management firm focused on quantitative investment."

The two Wells Fargo investment businesses, which had nearly $70bn under management at the end of 1988, made a net profit of $13m in 1988. Wells Fargo said it expected to post a pre-tax gain of about $110m once the transaction with Nikko was completed.

Thus Nikko will be paying about eight times book value and 19 times net earnings for its share in the businesses. The high price probably reflects the growing interest in passive investment methods and programme trading among Japanese investors.

This interest, in turn, reflects the growing availability and use of futures, options and derivative products in the Japanese markets.

In the early 1980s Wells Fargo Investment Advisors was one of the pioneers of stock index arbitrage, or programme trading, as well as portfolio insurance. These techniques were widely believed to have aggravated the 1987 stock market crash and suffered considerable criticism as a result.

But Wells Fargo saw only a small net reduction in its funds under management after the crash. Last year the firm was extremely successful in promoting two other computer-driven investment products – indexed funds and tactical asset allocation models.

Du Pont $250m dollar straight leads clutch of new names

By Katharine Campbell

INTERNATIONAL BONDS

IT WAS a day of new or relatively new names for the Eurobond markets yesterday, some meeting a better reception than others.

Du Pont, the chemicals company and a comparatively rare visitor to the Euromarkets, brought a $250m five-year straight issue. But several market participants sounded disgruntled at the terms, even given the name's novelty.

With a 9.00 per cent coupon and a launch price of 102.33, lead manager Goldman Sachs said the initial spread over comparable Treasuries amounted to 51 basis points.

Other players characterised the terms as much too aggressive, citing a previous three-year deal, also finely priced, where the spread over Treasuries had widened substantially after the launch. They also felt the lead manager was supporting the deal quite considerably.

Goldman admitted: "The upwards move in the Treasury market has bailed us out a little."

In its defence, the manager added that the mandate had been won on ferocious bidding by a hair's breadth at just half a basis point lower than the next best bid.

Meanwhile, T.C. Ziraat Bankasi, the state-owned Turkish bank, launched a 12-year $140m puttable dollar floating-rate note with a stepped coupon, initially paying 1⅝ per cent over the six-month London interbank rate.

This marks the first time Turkey has launched an FRN in the Euromarkets and the issue is also the first bond for Ziraat that does not carry an explicit government guarantee.

Bankers Trust, the lead manager, noted that it had taken considerable work to develop buyers outside the group of traditional lenders to the country. Other market sources said they presumed the deal was essentially pre-placed, particularly given the stepped coupon, which reduces tradeability.

Also in the dollar sector, J.P. Morgan led a $200m seven-year straight issue for Electricity Corp of New Zealand Finance that was generally judged fair by the market. It marked 18-month-old Electricity Corp's debut in the Euromarkets.

Yielding 97 basis points above comparable government securities the lead manager quoted a price mid-afternoon of less 1.50 to the issue price, comfortably within fees of 1⅞.

In the Australian sector Credit Suisse First Boston's IBM Australia Credit issue of A$75m met with a cold shoulder from many of the traditional houses in the sector, which contended that a spread of 55 basis points below semi government bonds was – in the words of one – "totally mispriced." They also suggested it was too close to recent deals, given the calm over this area of the Euromarkets at the moment.

The deal appeared not to be supported by the lead manager and was trading outside fees at a discount of less 1⅞ to the issue price, although just inside the launch spread.

International Paper made a foray into the French franc market which, because of the relative unfamiliarity of the market with US companies, struggled a bit.

Lead manager BNP said the FFr500m five-year deal, which bears a 9⅜ per cent coupon, was trading on fees at a discount of 1⅞ to the issue price of 101.50. The launch spread over a drill OAT market was 77 basis points.

The financing, which is not swapped, arises from an acquisition in France earlier this year.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
E.I. Du Pont de Nemours◆	250	9	102.33	1994	1⅞/1¼	Goldman Sachs Int.
Electricity Corp.N.Zealand◆	200	9½	101⅞	1996	1⅞/1¼	J.P. Morgan Secs.
T.C. Ziraat Bankasi(e)‡◆	140	1⅝	100	2001	1⅛/⅞	Bankers Trust Int.
Nichimen Corp.(f)†◆	300	[illegible]	100	1993	2¼/1⅞	Daiwa Europe
AUSTRALIAN DOLLARS						
IBM Australia Credit◆	75	15¾	101⅞	1993	1⅞/1¼	CSFB
FRENCH FRANCS						
International Paper Co.◆	500	9⅜	101½	1994	1⅞/1¼	BNP Capital Markets
SWISS FRANCS						
Ohbayashi Road Constr(a)★★	70	(¾)	100	1994	1⅛	Nomura Bank (Switz)
Nichimen Corp.(b)★★◆	100	[illegible]	100	1994	n/a	Citicorp Inv. Bank
Uekigumi Co.(c)★★◆	50	[illegible]	100	1993	n/a	Citicorp Inv. Bank
Asakawagumi Co.(d)★★◆	40	[illegible]	100	1993	1⅞	Nomura Bank (Switz)

★★Private placement. ◆With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) Indicated yield to put 4.241%. b) Yield to put 4.05%. Coupon indicated at ⅞%. c) Yield to put 4.30%. Coupon indicated at ½%. d) Yield to put 4.074%. Coupon indicated at ⅞%. e) 1⅝ over 6-month Libor, July 1992 reducing to 1⅛, July 1995 reducing to 1⅛. Call and put at par on coupon dates from 1992. f) Coupon cut by ⅛% from indication.

Spanish bank raises $25m via international placing

By Stephen Fidler, Euromarkets Correspondent

BANCO Hispano Americano, Spain's fourth largest commercial bank, has sold 750,000 shares from its own treasury in the international market.

The sale is partly a response to pressure from the Bank of Spain for commercial banks to rid themselves of autocartera, the shares a company owns in itself.

The offering, raising about $25m, was managed solely through Shearson Lehman Hutton. It was aimed, said Shearson, at investors outside the UK, West Germany and Switzerland – the established foreign institutional investor base for the bank.

Hispano, which last November announced a placing of up to 750,000 treasury shares in the Swiss market, is now saying publicly that it has practically eliminated its autocartera.

Shearson said 53 per cent of the issue, placed within 1 per cent of the market price, was placed in Europe (outside the UK, Switzerland and West Germany), 41 per cent in the Far East, mainly in Hong Kong and Japan, and the remainder in South America. A proportion of the offering was placed with retail investors.

The Bank of Spain's campaign against autocartera is partly based on the potential it has to limit the central bank's policy of encouraging consolidation in the Spanish banking sector. It could also discourage the build-up of sufficient capital to meet new international standards, and brings charges that some companies – banks are not the only holder of their own stock – use it to influence their share prices.

● Banco Hispano Americano is to buy a stake of up to 4 per cent in Ercros, Spain's biggest chemicals and fertiliser group. The bank will also gain boardroom representation.

Ercros was formed last October when Union Explosivos Rio Tinto merged with the Cros group.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Tuesday June 27 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1989 to date	Mon Jun 26 Index No.	Fri Jun 23 Index No.	Thu Jun 22 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (206)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	Building Materials (29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	Contracting, Construction (37)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Electricals (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	Electronics (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6	Mechanical Engineering (54)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9	Motors (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	Other Industrial Materials (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21	CONSUMER GROUP (187)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22	Brewers and Distillers (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25	Food Manufacturing (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26	Food Retailing (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27	Health and Household (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29	Leisure (33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31	Packaging & Paper (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32	Publishing & Printing (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34	Stores (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35	Textiles (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40	OTHER GROUPS (93)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41	Agencies (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42	Chemicals (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43	Conglomerates (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45	Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47	Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48	Miscellaneous (27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49	INDUSTRIAL GROUP (486)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	Oil & Gas (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	FINANCIAL GROUP (124)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Life) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66	Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69	Property (52)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	Other Financial (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	Investment Trusts (70)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81	Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91	Overseas Traders (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99	ALL-SHARE INDEX (704)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 23	Jun 22	Jun 21	Jun 20	Jun 19	Year ago
FT-SE 100 SHARE INDEX♦	2206.4	+26.8	2207.1	2173.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

	PRICE INDICES	Tue Jun 27	Day's change %	Mon Jun 26	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	117.12	+0.62	116.42	0.22	6.18
2	5-15 years	131.02	+1.38	129.24	–	6.96
3	Over 15 years	142.50	+2.00	139.71	–	7.09
4	Irredeemables	163.79	+1.12	161.98	–	7.32
5	All stocks	129.25	+1.19	127.81	0.08	6.81
	Index-Linked					
6	5 years	135.89	+0.19	135.63	–	1.36
7	Over 5 years	133.19	+0.94	131.95	–	1.88
8	All stocks	133.28	+0.88	132.12	–	2.82
9	Debentures & Loans	112.76	-0.13	112.90	–	5.91
10	Preference	87.59	-0.02	87.61	–	3.10

	AVERAGE GROSS REDEMPTION YIELDS		Tue Jun 27	Mon Jun 26	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.98	10.08	9.39
2		15 years	9.44	9.64	9.46
3		25 years	9.48	9.45	9.23
4	Medium Coupons	5 years	10.90	11.19	9.84
5		15 years	9.91	10.12	9.64
6		25 years	9.47	9.65	9.42
7	High Coupons	5 years	11.07	11.31	9.92
8		15 years	10.13	10.33	9.83
9		25 years	9.69	9.85	9.50
10	Irredeemables		9.32	9.43	9.47
	Index-Linked				
11	Inflation rate 5%	5yrs	3.84	3.89	2.79
12	Inflation rate 5%	Over 5 yrs	3.75	3.81	3.86
13	Inflation rate 10%	5yrs	3.05	3.10	1.78
14	Inflation rate 10%	Over 5 yrs	3.58	3.64	3.49
15	Debs & Loans	5 years	12.01	12.08	10.86
16		15 years	11.69	11.67	10.81
17		25 years	11.37	11.35	10.77
18	Preference		10.32	10.32	9.59

♦Opening index 2178.5; 10 am 2174.9; 11 am 2174.2; Noon 2186.1; 1 pm 2190.8; 2 pm 2190.4; 3 pm 2194.8; 3.30 pm 2198.9; 4 pm 2206.5 (a) 4.02pm (b) 11.17am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	100	0	6
Corporations, Dominion and Foreign Bonds	17	0	25
Industrials	387	349	851
Financial and Properties	201	115	345
Oils	34	22	37
Plantations	1	2	9
Mines	24	74	78
Others	62	86	95
Totals	826	648	1,446

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Jun 26
- Last Dealings Jul 7
- Last Declarations Sep 28
- For settlement Oct 05

For rate indications see end of London Share Service

Calls in Tusker, Oliver Res, Bear Brand, Peddington, Bougainville, Storehouse, Quadrant, Blacks Leis, Tarmac, IFICO. Puts in Highland Dist, Allied Rest. PC ZCI

LONDON TRADED OPTIONS

BRITISH STEEL led the field in Traded Options Market dealings yesterday. It was, in overall market terms, a far more active day than any seen of late, with 55,114 contracts handled, of which 33,952 were calls and 22,162 puts.

The day as a whole was notable for the news that the May UK balance of payments deficit was only £1.3bn – below general expectations. The FT-SE index gained 26.8 points on balance to 2,206.4, its highest closing level since the stock market crash in October 1987.

Dealings in the option on the FT-SE 100 index reached 14,577 contracts, the better part of a quarter of all dealings, and consisting of 6,190 calls and 8,387 puts.

The business in British Steel lay in 4,889 contracts, as the underlying shares price rose 1p on the day to 77p. The dealings in the stock lay for the main part in the 80p puts, with the July attracting 2,010 contracts and the January 2,067.

British Petroleum found 3,597 contracts, made up of 2,957 calls and 610 puts, as the price of the share on the underlying market rose 4p to 300p. The October 300 puts – just on the closing price – alone attracted 2,313 contracts.

Racal Electronics, which is caught up in a web of government regulatory moves, saw 2,948 contracts in its options, as well as a 5p gain in price on the underlying market to 456p. The options were split into 1,493 calls and 1,455 puts.

Hanson, the previous day's market leader in options terms, did not figure prominently, with 582 contracts. Trusthouse Forte found 2,744 contracts and Cable & Wireless 1,935. British Gas, Guinness and Rolls-Royce also saw activity.

[illegible]

UK COMPANY NEWS

Debenham Tewson advances 67%

By Paul Cheeseright, Property Correspondent

DEBENHAM TEWSON & Chinnocks Holdings, the chartered surveyors, rode the buoyancy of the commercial property market in the year to April, recording an increase in pre-tax profits of 67 per cent.

Its figures, announced yesterday, consolidate the trend of higher profits among chartered surveyors set off by Fletcher King on Monday. Savills reports later this week.

Pre-tax profits for 1988-89 were £8.98m compared with £5.37m the previous year, while earnings per share on an enlarged capital were 48 per cent up at 18.75p.

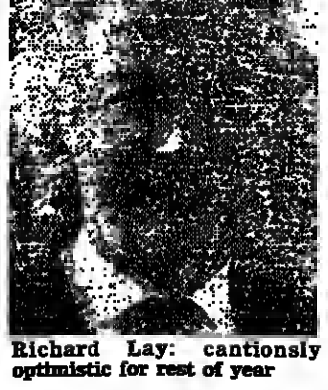
The directors have declared a final dividend of 5p, bringing total payments for the year to 7p against 5p for 1987-88.

Debenham Tewson has been going through a period of rapid expansion since its flotation in July 1987 and latterly has extended its operations into continental Europe throngh joint ventures.

Expansion and the high level of activity on the property market have been the mainapring of the increased profits. Turnover for each member of staff rose 12.5 per cent over the last financial year to £53,400. But staff costs as a percentage of the total turnover of £38.82m have been reduced to 44 per cent from 46.1 per cent in 1987-88. Other operating costs have been stable.

The company draws only 3 per cent of its turnover from residential property so has been bsrely affected by the troubles of that particular market.

During the first two months if this year the tempo of activity in the market place has been maintained and Mr Richard Lay, the chairman, looks forward to the rest of the year with what he called "cautious optimism."



Richard Lay: cantionsly optimistic for rest of year

● COMMENT

Debenham Tewson has been one of the more highly rated stocks in a lowly rated sector. The market has taken the view that commercisl property activity will become more sluggish and rather unfairly lumped operators in the sector in with residentiel estate agents. But Debenham Tewson has had two extremely good years and is protected to some extent by the spread of its activities and the fact that its costs are under control. Nevertheless, it is doubtful if this year can sparkle like last and 1990-91 could be tough. Brokers are looking for pre-tax profits of up to £11m and earnings per share of 24p, still a healthy increase. After yesterday's 9p rise in the share price to 155p, this puts the stock on a prospective p/a of 6.5.

Williams director resigns

By Nikki Tait

MR HOWARD DYER, a main board director of Williams Holdings and head of the company's North American operations, is resigning from his position and leaving the group.

Williams said yesterday that Mr Dyer had decided he wanted to return with his family to Europe and that his resignation had been accepted "with nndarstanding and regret".

Mr Dyer will leave the group on July 7. Williams added it had been aware of his impending departnre for two months.

The company said that there would be some compensation, but declined to discuss the sum. Mr Dyer's service contract runs for less than one year.

A caretaker manager will be appointed, with a permanent management appointment possible in the second half of the year. Mr Dyer moved to the US about two years ago, having previously been with the group for about six months. He subsequently joined the board.

Williams has substantially enlarged its US operations over the past couple of years, by various acquisitions, both in the paints sector and through tha purchase of Pilgrim House. This, in turn, brought in the Kidde fire protection businesses.

However, Williams said yesterday that it had decided to centre its fire protection interests in West London, leaving them outside the responsibility of its North American arm.

Suter takes 6% Hartons stake

By Ray Bashford

SUTER, the industrial holding company headed by Mr David Abel, has taken a 6.2 per cent interest in Hartons Group, a plastic distribntor and PVC foam maker.

Mr Colin Aatin, Hartons managing director, said there had been an association between the companies for "some time", and that he did not "see the shareholding as a threat."

Hartons was seen as a recovery situation, according to Mr Brian Hoare, Snter finance director.

Stormgard leaps to £1.13m and returns to dividend list

STORMGARD, the textile company which is rapidly diversifying into stationery and office supplies, achieved profits of £1.13m for the year to March 31, np from £501,000 last time, on turnover reduced from £61.26m to £56.37m.

The company also announced a return to the dividend list after a lengthy absence – albeit with, as chairman Peter Holmes admitted, a "modest" 0.1p, payable from earnings of 0.26p (nil) per 10p share.

In line with the gronp's redirection policy, operating profit from fashion and textiles activities has dropped from £1.53m in 1988 to £733,000 this year, while operating profit from stationery and office supplies rose from £2.07m to £2.27m.

"The reorganisation of the group into the business of stationery, office supplies and print related products has continued to gain momentum during the last financial year, with 74 per cent of our turnover now attribntable to those chosen areas," said Mr Holmes.

Gearing has been reduced to below 50 per cent and further acquisitions are being sought.

Equity & Gen rises to £0.79m

EQUITY & GENERAL, the financial services and motor retailing group, achieved pre-tax profits of £753,000 in 1988 compared with a restated £474,000.

The results, announced yesterday, were delayed from June 16. During the preparation of the accounts of the leasing business, deficiencies in its accounting and management came to light, Mr LP Altman, the chairman, said. Certain substantial adjustments had therefore been made to reflect understatements of both creditors and bad debt provisions for previous periods. New managers had been appointed to that department and an investigation undertaken.

Mr Altman also announced that the company was currently in negotiation to acquire a Vauxhall Motors main dealership and a contract hire company. The aggregate consideration was likely to be around £1m in cash, shares and loan notes.

A final dividend of 1p (0.95p) is recommended, making a total for the year of 1.5p (1.35p). The directors propose to offer shareholders the option to receive new shares instead. Earnings per 5p share rose from 1.58p to 3.25p.

Turnover for tha year was shown as £30.3m (£24m restated), with the motor division at £24.9m (£20.3m) and finance and property at £5.4m (£3.7m). Profits from the two divisions were £1.11m (£880,000) and £1.47m (£748,000) respectively.

Tax took £31,000 (£105,000) and an extraordinary debit of £299,000 (£24,000) related mainly to provisions against investment in unrelated and non-core business activities now ceased.

Looking to the future, the chairman said he was confident of progress both through organic growth and the acquisition programme.

Broad Street hopes to bolster shares via £10m earn-out plan

By Andrew Hill

BROAD STREET Group, the public relations, advertising and marketing consultancy, is hoping to restructure deferred payments on four acquisitions to avoid dilution of the group's earnings per share.

The consultancy yesterday announced that pre-tax profits had increased to £2.43m in the year to March 31, more than four times the £556,000 made for the 17 months to the end of March 1988. Earnings rose from 1.16p to 4.03p per share.

The deferred payments – known as "earn-outs" – total £10m in the next two to five years, all payable in shares. Broad Street bas been negotiating with the vendors for eight months and now hopes to settle most of the payments in cash, leaving only £1m to be paid in shares.

Mr Michael Preston, group develapment director, said yesterday: "It's critical to establish confidence in our shares."

As part of what be calls Broad Street's "anti-dilution programme," the group is also considering buying some of its own shares in the market place and varying its company's borrowing powers.

In the first full year since Mr James Gulliver took over as chairman, turnover rose to £15.4m from £11.5m in the previous 17 months. The company is recommending a final dividend of 0.9p, making 1.5p for the year, against 1.1p in the 17-month period.

Some 41 per cent of Broad Street's annual income now comes from financial and investor relations, 21 per cent from corporate PR, 16 per cent from consumer PR and 10 per cent from advertising and design.

Mr Preston said the company boped to expand still further through cash acquisitions. He said possible targets included companies in specialist trade and technical PR, corporate identity and design, corporate video production, and qualitative market research.

He added that the group was still interested in buying Moorgate, the financial PR subsidiary of Ketson. Broad Street failed to wrest Moorgate from Ketson last month through a hostile consortium bid which shareholders rejected in favour of refinancing proposals.

● COMMENT

Altbougb USM-quoted Broad Street cannot yet go into detail about ita anti-dilution programme, its intention should dispel market worries about all-share earn-outs. The group's long-term aim is to get the number of shares in issue down to 40m from the current 40.6m and analysts' estimates of a possible 47m assuming full earn-outs. Even in the short term, the scheme should lead to a greater improvement in earnings, on a lower increase in pre-tax profits (because of reduced interest receivable) – £2.9m and 4.4p respectively is the forecast, compared with £3.2m and 4.2p without the earn-out restructuring. In any case, the lnstallation of sounder management and financial controls is already pleasing observers. Broad Street's next move – in six to 12 months – could be to improve incentives for managers of individual subsidiaries. Assuming the restructuring proposals go througb, tbe shares, unchanged yesterday at 38¼p, stand on a prospective p/e of about 9. They probably have a little further to go.

Waterstone still planning expansion

By Maggie Urry

Waterstone, a 31-strong bookshop chain, is expected to announce within the next two weeks whether it has found a partner to help finance its expansion plans. It aims to expand to 100 stores, but the cost of doing so is beyond its internal funding ability.

Mr Tim Waterstone, chairman, refused to comment on speculation that WH Smith, the book, stationery, and newspaper retailer, was the most likely company to take a majority equity stake to provide a cash injection.

Waterstone is reckoned to be the largest company operating nnder the Business Expansion Scheme. It could still decide to raise extra capital itself without bringing in a partner.

UK COMPANY NEWS

Coalite unimpressed as Anglo United rises 28%

By David Waller

ANGLO UNITED, the fuel distribution group which is currently bidding £420m for the much larger Coalite company, reported pre-tax profits up 28 per cent to £6.65m in the year to March 31. Earnings bounced up 79 per cent, from 2.26p to 4.05p per share.

The figures were immediately denounced by Coalite, which pointed out that the bulk of the profit came from Anglo's 26 per cent stake in NSM, the former Burnett & Hallamshire mining group which Mr David McErlain, Anglo chairman, helped to restructure.

The NSM stake contributed £4.44m out of a total operating profit of £8.3m (£5.1m), compared to the £3.66m generated by Anglo's mining interests in the previous year.

"Anglo United gives the impression of achievement," argued Coalite, "but the reality is that, stripped of NSM, it is hard pressed to show any significant improvement."

Mr McErlain countered by pointing to growth of 20 per cent in fuel distribution despite the mild winter, which affected Coalite's own performance in this area last year.

However, the 20 per cent growth was achieved on a low base. A breakdown of the £3.8m operating profit figure shows £4.2m coming from fuel and £1m from property, before overheads of £1.4m. Of the £4.2m, £2.2m came from companies acquired during the year.

Turnover expanded 51 per cent to £120.76m. The total dividend is raised to 1.2p (1p) via a recommended final of 1p.

● COMMENT

It is difficult to disagree with Coalite's assessment of Anglo's figures: whilst superficially very impressive, further analysis shows that organic growth accounted for little of the surge in earnings and profits. It emerges that the growth of 20 per cent, impressive though it might be against the background of a mild winter, represented an increase of under £2m after juggling with overheads. In this context, it is not surprising that Anglo's bid has been described as audacious. Despite providing grist to the defence mill, it is not clear whether the odds on the bid succeeding or failing are in any way changed in the light of yesterday's figures. Mr McErlain's reputation as a good manager is based on more than the last year at Anglo, and as architect of the B&H restructuring, he can take retrospective credit for NSM's recovery. Besides, he is offering cash, the charm of which has nothing to do with Anglo's recent performance. With Coalite's shares up 1p at 452p, the market clearly expects an increase in the 420p offer: what this means for Anglo's shares remain to be seen. Unchanged at 53p, they are well underpinned given that the NSM stake is worth 45p per share at least, leaving a mere 8p to cover earnings of 5.2p if the company makes a modest £10.5m pre-tax this year. Still, the shares are hardly going to outperform in the short term if the highly leveraged bid goes through.

Armstrong shares rise as Caparo lifts stake

By Clara Pearson

SHARES IN Armstrong Equipment, industrial fastener and engineering company, rose 10p to 178p yesterday on the announcement that Mr Swraj Paul's Caparo Group had increased its stake from 20.1 per cent to 29.6 per cent.

Caparo, the private investment vehicle for Mr Paul who chairs the engineering concern Caparo Industries, acquired 5m ordinary shares in Armstrong on Monday.

The move raised hopes Caparo would either pass the stake on to a bidder for Armstrong or else use it as a platform to mount an offer itself. Armstrong fought off an £80m hostile offer from Wardle Storeys, plastic sheeting and survival equipment group, six months ago with the support of Caparo.

Analysts said the timing of Caparo's share buying this week was intriguing both on the grounds of Armstrong's current share price level, and since Armstrong last month sold its shock absorbers division to Tenneco, the US diversified industrial group. This division had been thought to be its main attraction to a bidder.

Directors of Caparo could not be contacted yesterday. Mr John Pratt, Armstrong's finance director, said his company had not spoken to Caparo recently and had no inkling of its intentions.

Armstrong's shares have risen from below 150p since Wardle Storey's offer, which was pitched at about 155p and attracted acceptances in respect of about 25 per cent of the shares, lapsed in January.

After the shock absorbers disposal, Armstrong was left with about £46m in cash and had shed about 40 per cent of its business. About half of its remaining activities - industrial fasteners, metal fabrications, and general engineering - are connected with the automotive industry.

Parkfield rises 53% to £23m

By Philip Coggan

PARKFIELD GROUP, the mini conglomerate headed by Mr Roger Felber, reported a 53 per cent increase in pre-tax profits and a 40 per cent rise in earnings per share in the year to April 30.

Pre-tax profits were £23.16m (£15.15m) on turnover of £293.61m (£219.26m). After tax of £5.63m (£4.15m) and preference dividends of £1.43m (£193,000), earnings per share were 34p (24.2p). The proposed final dividend is 9p for a total of 12p (7p).

The company said its only problem area was the distribution division where profits fell from £1.93m to £1.19m. During the year, Parkfield disposed of its loss-making electrical goods distribution business and the two other distribution companies, J & B Labone and Sirius, will also be sold.

Parkfield will then be left with five main divisions, four operating in manufacturing and one in entertainment. All five last year increased profits with the entertainment division more than trebling operating profits to £3.99m (£2.75m).

The entertainment division distributes videos for several major Hollywood studios. Sales of videos have increased sharply in recent years – from 3m in 1985 to an estimated 33m - and Parkfield estimates it has around half the market for feature film sales.

The four manufacturing divisions are castings, wheels, pressings and fabrications and engineering products. Mr Felber said that Parkfield's original foundry business was performing well with the help of work on the Channel Tunnel.

Parkfield made 12 acquisitions during the year including one, Hanson White, the greeting cards business, which it then sold. Acquisitions added £5m at the operating profit stage but only £2.5m after allowing for financing costs.

Parkfield spent £31m on acquisitions, £25m on capital expenditure and a further £10m-£12m on working capital.

● COMMENT

Parkfield's growth record is unimpeachable – earnings per share have risen 17-fold since 1985. But the market has rather lost its enthusiasm for the shares, which have declined by 14 per cent against the FT-A All-Share over the past year. One worry is that it is hard to tell exactly where the group's profits come from; the discovery that last year's profits included £3.9m of "other operating income" (asset sales) has knocked confidence. Another problem is that Mr Felber's acquisition policy, as when he bought and sold Hanson White this year, is hard to fathom. Nevertheless, whatever he is doing seems to work, and if Parkfield does make £31m this year, the shares are on a prospective p/e of only 8.5. Admittedly, earnings growth might slow if the tax charge once more starts to drift higher, but there are some good niche businesses in the portfolio. The shares, 5p higher at 354p, could be under-rated.

Mr Roger Felber: disposing of distribution, his problem area

Aukett jumps 51%

In its less favourable first half, Aukett Associates, an integrated design and building management group, lifted taxable profits by 51 per cent from £503,000 to £760,000.

Work done in the six months to end-March totalled £5.77m, a rise of 48 per cent on last year. Earnings per 5p share expanded to 3.91p (2.83p) and a maiden interim dividend of 1.25p is declared.

Lonrho renews attack on Bond finances

By Ray Bashford

LONRHO, the UK-based international conglomerate, is preparing to publish fresh allegations about the financial status of the group of companies headed by Mr Alan Bond, the Australian businessman.

The attack on the Bond group is part of a renewed effort to discredit Mr Bond's international financial position which began in November last year, three months after the Australian began building up a 20.4 per cent in Lonrho.

Lonrho launched the first document with the allegation that the Bond group was "technically insolvent" and followed this two months later with a thinner volume which made similar claims.

The document, to be published tomorrow, makes the principal claim that Bond Corporation, Mr Bond's main quoted vehicle, will have a negative net worth on a valuation of operations of A$2.07bn at June 30.

Following its consistent line of attack throughout the campaign, Lonrho says that Mr Bond has failed to reduce his borrowings despite large scale asset disposals of international investments during the past 12 months.

Bond Corporation's borrowings have remained at A$11.9bn (£5.95bn) while asset sales during the year have returned A$2.5bn, the document says. Lonrho's research has concluded also that Bond is paying annual costs of A$1.1bn and that pre-interest earnings are A$374m.

Mr Terry Robinson, the Lonrho director who has orchestrated the attack on Mr Bond, claims that the Australian group is being forced to dispose of assets to meet the difference between the interest charge and pre-interest charges.

His research also concludes that a large number of the asset disposals have been made at significantly below their stated book value.

The total value of Bond Corporation's assets have fallen from A$8.4bn at June 30 last year to A$6.9bn, based on a "commercial valuation" which Mr Robinson has formulated.

A break down of the figure shows that, according to the Lonrho estimate, the Bond brewing interests in Australia and the US have been reduced in book value from A$2.5bn at June 30 last year to an estimated A$1.5bn while media interests have declined from A$1.7bn to A$1.2bn on the same basis.

Tube strikes will hit profits says Allied Restaurants

By John Ridding

ALLIED RESTAURANTS, the USM-quoted Wimpy franchise-holder and leisure group, yesterday became the first company officially to inform shareholders that strikes on the London Underground would damage its profits.

Mr Richard Carr, chairman, said yesterday that pre-tax profits for the year to July 16 would be below market expectations, which were about £1.2m.

However, the company said that the pre-tax figure was still expected to be in excess of the £805,000 achieved in the last financial year and analysts are now looking for £900,000. Allied shares closed 7p lower at 59p.

According to Mr Carr, the principal cause for the warning was the impact of Underground strikes on its Wimpy business. "Over half of our turnover comes from the West End and several of our sites are near Underground stations and high office population areas."

"We have seen a massive reduction in turnover on strike days as people stay away from work or travel by other means, and costs cannot be constrained."

Other factors in the warning concerned the impact of higher interest rates and the reduction in high street spending. However, Mr Carr said these factors had been evident longer and had been offset by the expansion of the group's leisure activities.

In the current year, the leisure businesses are expected to contribute about 40 per cent of profits, which is envisaged to rise to 60-70 per cent in the following year. The Wimpy restaurants account for the rest.

Allied Restaurants is Wimpy's largest franchise-holder with about 20 outlets. It has been in talks about the purchase of the hamburger chain following the announcement by United Biscuits, Wimpy's parent company, earlier this month, that it is selling off its fast food restaurants.

Mr Carr said yesterday that the current problems are largely "extraordinary" and that Allied Restaurants "was interested in Wimpy at the right price."

Mr Ian Petrie, chief executive of Wimpy International, said that areas, such as the south east, which were suffering from higher mortgage rates had seen slower growth in recent months. However, there "was very sturdy growth in large parts of the country."

Tiphook/Stena launch fresh assault over SeaCon value

By Andrew Hill

SEA CONTAINERS' latest formal amendments to its bid defence indicate that its shares are worth $56 each, according to Tiphook and Stena.

That compares with the two companies' hostile offer of $60 per share for the Bermuda-registered ferry and container group. SeaCon reckons its rescue plans could realise between $70 to $100 per share for investors.

A letter from SeaCon said yesterday the group was prepared to meet Tiphook, the UK container rental company, and Stena, a privately-owned Swedish ferry operator, but only on certain conditions.

These include Stena and Tiphook:

● being prepared to offer "realistic and competitive pricing";

● providing SeaCon with undertakings that they can fund the bid

The letter again cast doubt on Tiphook and Stena's ability to fund a higher offer. "We . . . have formed the impression that [Stena's bankers] feel fully extended to Stena," the letter said.

In its amendment, SeaCon said debt and the value of redeemable preferred stock should be subtracted from the hypothetical value of $2bn put on the company by Lazard Frères, SeaCon's merchant bank. The Tiphook/Stena approach is worth $824m cash.

Mr James Sherwood, SeaCon's president, commented early last week that alternatives being considered by the group could realise between $70 and $100 per share.

But the SEC amendment claimed: "The way (Mr Sherwood's) responses have been reported abroad, and now in the US, has led to confusion."

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Anglo United ....fin	1	-	0.8	1.2	1
Aukett Assocs ....int	1.25	Aug 10	-	-	3
Blick ....int	2.4	-	2	-	5.5
Broad Street § ....fin	0.9†	Sept 4	1.1★	1.5	1.1★
Clyde Blowers ....int	0.83	Aug 14	0.83	-	7.15
Debenham Tewson .fin	5	-	3.5	7†	5
Equity & General........fin	1	Oct 3	0.95	1.5	1.35
Halma ....fin	1.31†	-	1.006	2.126	1.636
Hardys & Hansons ...int	8.4	-	7.2	-	23.5
In Shops ....fin	1.2†	-	0.3	1.7	0.3
LPA Industries §........int	1.5	-	1.273*	-	2.723*
Microlec § ....fin	2.3	-	-	3.3	-
MS International........fin	3.06	-	2.65	3.96	3.3
New Zealand IT ....int	1.5	-	-	-	-
Parkfield Group ....fin	9†	Aug 31	5	12	7
SEP Industrial ....int	0.4	-	0.3	-	0.75
Smaller Cos Intl ....int	1‡	July 7	-	-	2
Stead & Simpson ....fin	3.9	-	3.2	5.6	4.6
Stormgard ....fin	0.1	-	-	0.1	-
West Inds ....fin	0.75 †	–	0.75	1	1
Yellowhammer ....fin	2.9	-	1.75	3.3†	2.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ★For 17 months. ‡Special dividend in respect of period from April 1 to June 20.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Economic Forestry, Electronic Data Processing, Leisuretime Intl.

Finals- Alexander (Walter), BPB Industries, Campbell & Armstrong, Chemoxy Intl, General Electric, Gold Greenlees Trott, Gresham House, Stanco Exhibition, Wagon Industrial, Waterglade, Witshaw.

FUTURE DATES

Interims-

ASEA .... Aug. 30
First Tokyo Index .... June 29
Microgen .... July 19

Finals-

Baileys .... July 10
Budgens .... June 29
Danae Inv Trust .... June 29
FKB .... July 6
Farepak .... July 3
Finlan .... July 10
Moss Trust .... July 4
Stirling .... July 3
Toothill (RW) .... July 5
Vinten .... June 22

Denial by Bestwood chief

By Andrew Hill

MR ANTHONY HOLMES, who last week announced he would not seek re-election as a director of Bestwood, yesterday said he did not sign a resignation letter before the group's special shareholder meeting in March.

At that EGM, Mr Tony Cole, a former chairman, tried unsuccessfully to oust him from the board of the property, industrial and housebuilding group.

Mr Holmes, who will continue as Bestwood chairman until the forthcoming AGM, yesterday dismissed reports that he had submitted his resignation before the March EGM as "absolutely and totally untrue."

Mr Jim Furlong, who has now taken on executive management of the company, will formally take over as chairman after the AGM. Mr Furlong and his family own about 25 per cent of Bestwood.

Yesterday Mr Holmes, who joined Bestwood last July, said he felt he had achieved the task of nursing the group back to health and could move on. In 1987, the group lost £367,000 before tax after suffering in the October stock market crash, but at the end of March the group announced 1988 pre-tax profits of £2.6m.

Last Friday, the Department of Trade and Industry launched investigations into Bestwood's affairs and dealings in the company's shares.

It also announced an investigation into the general affairs of Atlanta Fund Managers, a securities dealing subsidiary of the group. Mr Holmes closed Atlanta Fund Managers last July after he took over from Mr Cole, who believes shareholders have lost out since his departure.

IN BRIEF

HILL SAMUEL Development Capital has subscribed £1m into Interbrand Group. The transaction involved subscriptions of £770,000 by Hill Samuel and £230,000 by 3i, an existing investor. The proportion of the company which this represents will depend on profits performance during the current financial year.

HUNTER SAPHIR has suffered a major fire at the Northampton factory of its British Pepper and Spice subsidiary. However, the board expects that there will be no significant impact on the group's profits or balance sheet.

NO PROBES: The Secretary of State for Trade and Industry has decided not to refer the following to the Monopolies and Mergers Commission: The acquisition of the British Newspaper Printing Corporation by Mirror Group Newspapers, and the acquisition of Ansbacher Insurance Holdings by Leslie & Godwin.

YALE AND VALOR: Mr Michael Montague, chairman and highest paid director, saw his salary rise 4 per cent to £187,913 in the year to March 31. The annual report confirms the previously reported £400,000 compensation payment to Mr Norman Davis, who resigned in May 1988. By comparison, all other directors received total remuneration of £500,000.

UK COMPANY NEWS

Branch opened in Spain as second part of five-nation network

Yellowhammer advances 21%

By Ray Bashford

YELLOWHAMMER, the advertising and marketing group, announced a 21 per cent increase in pre-tax profits during the year to March 31 and a second move into continental Europe.

On 19 per cent growth in turnover to £62.4m (£52.6m), pre-tax profits reached £2.7m (£2.2m) to clear the way for a substantial improvement in the annual dividend.

Earnings per share rose to 17.8p (13.7p). Directors are recommending a final dividend of 2.8p (1.75p) lifting the year's total to 3.3p, compared with 2.5p previously.

Mr Jon Summerhill, chairman, said the company was opening an office in Madrid which, following the establishment of a Paris branch last October, would form part of a five-nation European network. Yellowhammer is exploring opportunities to acquire or start up operations in West Germany and Italy and hopes to have the network in place by the end of next year.

The countries account for 84 per cent of European advertising expenditure. Operations in each of the continental offices will concentrate on attracting local advertisers, creating the possibility of cross-border expansion as the companies moved into neighbouring countries.

Jon Summerhill: network to be in place by next year

The Madrid office has been created in co-operation with Mr Rafael Balades and Ms Ana Vega, and it is intended to leave local interests in control of at least 40 per cent of the new company's capital.

Yellowhammer chose the same strategy when it formed Yellowhammer Delafosse in co-operation with Ms Françoise Delafosse.

Despite a series of recent start-ups and an acquisition in areas related to advertising and marketing in the UK, the company's core businesses remain Yellowhammer Advertising and Boswell Services with the foundation advertising arm contributing about 70 per cent to turnover.

The costs of the start-up and acquisition programme are reflected in an increase in an interest charge of £204,000 compared with net interest received of £48,000.

● COMMENT

In a volatile industry, Yellowhammer is a model of measured expansion. Surprises have come from its creative department rather than the finance side, although the pre-tax figure was slightly ahead of City forecasts. Yellowhammer has ploughed £1.5m into six start-ups and acquisitions during the past 12 months. After marking time, these hold potential to make a sound contribution this year. Newstech appears to have regained its posture after a troubled entry and is on line to make £180,000 pre-tax. City jitters about reliance on Barclays and the Central Office of Information for at least 30 per cent of billings during recent years should have been eased by the success in winning Fiat UK, TV-am and 12 regional electricity distribution boards accounts. Continental Europe traditionally has been a minefield for UK advertising agencies. The strategy of organic growth rooted in co-operation with local expertise holds promise, although rewards appear relatively long term. Yellowhammer appears on course for pre-tax profits of £3.8m, placing it on a prospective p/e of 9. It is difficult to ignore the potential for speculative interest in the shares, given the recent activity in the industry and the increasing interest that continental agencies, particularly French, are showing in the UK.

Wensum to join USM with £5.24m valuation

By Vanessa Houlder

THE WENSUM COMPANY, a career-wear designer and mens clothing manufacturer, is joining the unlisted securities market in a placing that values it at £5.24m.

Wensum Corporate, one of the company's two main businesses, designs, develops, sources and distributes corporate career wear and uniforms for customers in the financial, travel and leisure, retail and amenities sectors. Its client list includes Lloyds Bank, Virgin Atlantic, W H Smith, and the London Electricity Board.

Wensum Clothing, the other main business, designs and manufactures suits, blazers and formal wear for high street retailers, principally under their own brand labels. Customers include Austin Reed, Dunn & Co, John Lewis Partnership and Marks & Spencer.

The businesses were originally part of the Hornes Group, which was bought by Sears in July 1987. In line with Sears' divestment of its manufacturing operations, Wensum's management launched a buy-out, backed by 3i, in June 1988.

Smith Keen Cutler is placing 2.13m shares, representing 28.4 per cent of the company at a price of 70p. Dealings are expected to start on July 3.

The placing will produce £1.27m net of expenses, which will be used to redeem 500,000 preference shares and to reorganise the company's production activities. No shares are being sold on behalf of the directors or shareholders.

Wensum made pre-tax profits of £520,000 on turnover of £6.58m for the year to January 28. This compared with pre-tax profits of £374,000 and turnover of £7.25m for the 17 months to January 31 1988. The historic price earnings ratio on an actual tax charge of 26.8 per cent is 10.6.

Strong growth from leases as Blick calls up 16% rise to £2.5m

By John Thornhill

BLICK, the Swindon-based supplier of clocking-in equipment and radio pagers, lifted pre-tax profits by 16 per cent from £2.14m to £2.48m in the half year to March 31.

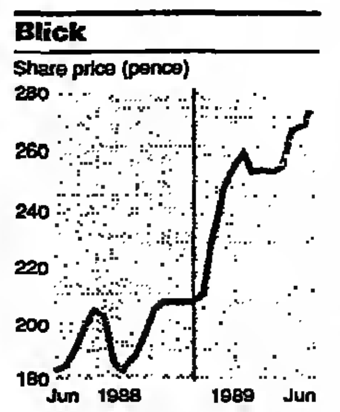
Mr Alan Elliot, chairman, said there had been a strong performance from the traditional time control businesses, and future rentals receivable under contract had grown by nearly 30 per cent to £36.1m (£27.8m).

During the six months, particularly strong growth came from finance and operating leases where income, boosted by the acquisition of rental contracts from TVC General Telephones, grew 28 per cent to £2.52m (£1.81m).

Total turnover rose 17 per cent to £10.78m (£9.2m), with equipment sales accounting for £6.32m and leases, maintenance, and supplies, £4.45m.

Blick's manufacturing operations in Exeter were relocated during the period. This caused some disruption and consumed management time, but the company claimed that the division would recover in the second half.

Mr Elliot said the recently-acquired Programs At Work subsidiary, which makes time management systems, had performed well and continued to develop its software and customer support facilities.



At the end of March, Blick had a cash balance of £2.6m and the company indicated that this might be used for acquisitions.

Net interest receivable declined from £113,000 to £63,000 while tax increased to £715,000 (£609,000). The interim dividend is lifted to 2.4p (2p).

Earnings per share advanced 15 per cent from 7.58p to 8.72p.

● COMMENT

Steady growth has marked Blick's performance since it joined the main market in 1986 and its consistency has been much appreciated by the City. The share price has risen strongly since the start of the year and was up again yesterday to 274p, a rise of 7p on the day. Blick has an impressive customer base and a wealth of future rentals under contract, offering the prospect of good high quality future earnings. With cash in the bank, Blick would also seem to be well placed for future investments and acquisitions, although it is unlikely that any possible purchases will contribute this year. Sales in the second half are traditionally stronger than the first and Blick therefore looks well on course to achieve pre-tax profits of about £5.5m in the full year, giving a prospective p/e of 14. That probably represents fair value, but Blick would certainly merit a closer look if the share price were to slip.

Stead & Simpson climbs 22% to £10.9m

By Maggie Urry

STEAD & SIMPSON, the footwear retailer and motor trader which last year fought off a £108m bid from Clayform Properties, has exceeded its defence forecast with a 22 per cent rise to £10.91m in pre-tax profits for the year to end-March.

The figure included profits on property disposals of £3.2m (£2.56m).

Clayform, which holds 42.97 per cent of the voting shares, is free to bid again from July 17. Last month, however, Stead & Simpson opened talks with Clayform in an attempt to clarify the position before that date.

Mr Frank Chamberlain, Stead & Simpson chairman, said yesterday: "these talks are progressing but I remain unable to predict their outcome." He advised shareholders to take no action.

The group's properties were revalued during the year, and shareholders' funds at the year end stood at £123.5m. The group has no net debt.

In the footwear retailing division, sales were ahead 8.5 per cent to £50.3m, following contributions from the 10 new shops opened during the year, taking the total to 274. Trading profits rose by 21 per cent to £6.2m, an improvement in margins from 11 per cent to 12.3 per cent.

Mr Peter Gee, managing director, said this was achieved despite difficult trading conditions in the footwear industry generally. He said the introduction of electronic point of sale equipment to all the branches had "paid off better than we could have hoped."

The group plans a further eight new stores in the current year with negotiations in progress for another 11.

The motor trading side increased sales by 26 per cent to £39.1m, but profits growth was held to just under 2 per cent at £1.4m having been affected by the start-up costs of a new Peugeot dealership, space restraints at the Mercedes-Benz garage, and price-cutting competition for Andi cars.

The Mercedes dealership is being relocated to a larger site, involving an investment of £2.7m, which will open next month. Mr Gee said demand for cars was still good.

Group turnover rose to £90.47m (£77.88m). Earnings per share expanded some 21 per cent to 14.05p.

A final dividend of 3.9p is proposed giving a total of 5.6p (4.6p).

Enlarged In Shops improves 73% to £2.26m

By Philip Coggan

IN SHOPS, the retail centre group, yesterday announced a 73 per cent increase in pre-tax profits from £1.3m to £2.26m in the 12 months to March 31 1989.

The company, which joined the stock market in January 1988, operates shopping centres for small retailers. The number of centres doubled to 48 during the year, thanks mainly to the acquisition of Advanced Retail Holdings, which added 16 centres.

However, In Shops is suing the founders of ARH alleging breach of warranties. The founders, Mr James and Mrs Lillian Hutchinson were dismissed from the business and are counter-suing, alleging breach of contract.

In Shops has diversified into office centre management since the year end via the acquisition of Warwick Executive Services, a Midlands-based office group.

The company also plans to move into leisure related activities such as snooker clubs and family amusement centres.

Mr Tim Brookes, deputy chairman, said that the current high interest rate environment, which had depressed the retail sector generally, had not affected In Shops' bottom line.

The void rate, which is the unlet percentage of the group's shopping centres, had risen slightly from 3.9 per cent to 4.3 per cent but this partly reflected the inclusion of newly-opened centres.

Turnover rose from £8.25m to £12.54m. After tax of £798,000 (£484,000) earnings per share were 5.3p (4.3p).

There is an extraordinary credit of £168,000 relating to a property sale. The proposed final dividend is 1.2p (0.3p) making a total of 1.7p (0.3p).

Micrelec profit 27% higher

Micrelec Group, USM-quoted maker of electronic automation equipment primarily for petrol stations, announced a 27 per cent improvement in pre-tax profits for the year to March 31.

The rise, from £1.3m to £1.65m, was in line with directors' expectations and was after incurring substantial increases in development expenditure "seen as essential to continued profitable growth". It was achieved on turnover of £11.24m (£7.04m), which included Lectronic Specialists for the first time.

A final dividend of 2.3p is proposed for a 3.3p total. Earnings per 5p share advanced to 10.24p (8.76p) after tax of £594,000 (£492,000).

Directors said there was evidence of good growth in each of the group's main areas of activity. Pressure by oil companies to modernise the service station network and to provide unleaded petrol gave the group extensive opportunities.

NZ Invest Trust

New Zealand Investment Trust reported net asset value of 97.4p per share at April 30. The second interim dividend was 1.5p.

BR orders boost LPA

By Edward Sussman

LPA INDUSTRIES, the USM-quoted industrial electrical accessories maker, increased pre-tax profits 14 per cent from £303,000 to £346,000 in the six months to March 31. Turnover rose 16 per cent to £3.69m, against £3.1m.

Mr Mike Rusch, chairman, said the company was continuing to show strong orders from British Rail, which accounted for 20 per cent of turnover. He expected the BR orders for electrical couplers to remain healthy for at least several more years, while its renovation efforts carry on.

Mr Rusch, who with his family holds 23 per cent of the equity, said LPA has been approached by several concerns tentatively interested in acquiring the company, but none of the offers had been sufficient to warrant interest. He saw no advantage in joining a larger group at this time.

No acquisitions by LPA were likely in the short term, Mr Rusch added, and the company remained wary of straying too far from its expertise base. In 1987 the group was forced to dispose of its Jarneta subsidiary, a maker of infra red devices bought two years earlier, after problems at the loss-making electronics company proved too difficult for LPA.

Forward orders are ahead in the second half, the company said, and prospects for the full year are "very encouraging."

Earnings per share were 2.56p (2.24p) and a dividend of 1.5p (1.4p) was declared. The company enlarged its equity with a one-for-ten scrip issue in February.

COMPANY NEWS DIGEST

Ansbacher chief plans to resign

By David Lascelles, Banking Editor

MR DAVID HUDSON, the deputy chairman and chief executive of Henry Ansbacher and Co, the merchant banking arm of the Henry Ansbacher group, is to resign at the end of this month.

His departure follows Ansbacher's decision to sell its non-banking interests, and "discussions between Mr Hudson and Mr Richard Fenhalls, the chairman of Henry Ansbacher and Co, over their respective roles".

Mr Fenhalls will combine the roles of chairman and chief executive of Henry Ansbacher and Co while remaining chief executive of the Ansbacher Group.

Ansbacher has recently been engaged in restructuring its operations after recovery from a period of heavy losses. This has involved the sale of various non-banking activities such as ship and insurance broking.

As a result, there were fewer executive responsibilities at the top of the group, and this is understood to have brought Mr Hudson up against Mr Fenhalls. Neither Mr Fenhalls nor Mr Hudson was available for comment yesterday.

West Inds profit trebled at £0.5m

West Industries, the changing engineering and construction group, reported pre-tax profits almost trebled at £502,000 in the year to the end of March, against £174,000 last time.

The result was struck after taking into account losses of £105,000 (£55,000) relating to the sold pest control division. Profits for continuing businesses rose from £229,000 to £607,000.

During the year new management came into the company with the aim of developing the existing core businesses and expanding into leisure-related industries.

Group turnover rose 14 per cent from £13.79m to £15.75m. After tax of £166,000 (£8,500) earnings per share increased to 1.74p (1.32p). A final dividend of 0.75p is being recommended making an unchanged total for the year of 1p.

There was a net extraordinary charge of £119,000 (£75,000) relating to the loss on the sale of subsidiaries.

Mr Mel Morris, chairman, said that the construction and plant hire businesses produced good results and the specialist engineering companies increased sales and profits overall.

SEP more than doubles to £1m

SEP Industrial Holdings, the USM-quoted manufacturer and distributor of industrial fasteners, motor parts and electrical plugs, reported pre-tax profits more than doubled from £420,000 to £1.01m in the six months to end-March 1989.

This result was struck from turnover up from £7.71m to £20.14m. After tax of £220,000 (£72,000) and minorities of £197,000 (£15,000) earnings per 5p share worked through at 1.6p (1.36p). The interim dividend is raised to 0.4p (0.3p).

The directors said the company was undergoing a comprehensive reorganisation which included the disposal of its holdings in Rankins Glass and G Blagg.

It is also intended to revalue and transfer ownership of the group's freeholds to the holding company of its development subsidiary. On completion of these changes shareholders' funds will have more than doubled to around £13m.

UK COMPANY NEWS

Gains across all five divisions with 18 of its 26 subsidiaries reporting record profits

Green issues give boost to Halma

By John Ridding

HALMA, the safety and environmental control group, yesterday announced pre-tax profits of £11.38m for the year to April 1, an increase of 25 per cent on the previous year.

The improvement reflected gains across the company's five divisions, with 18 of the 26 subsidiaries reporting record profits. The safety and US operations, boosted by acquisitions, saw the largest gains.

Halma is involved in a broad range of activities, including the manufacture of equipment for fire detection, the measurement of plant photosynthesis, water sterilisation, air analysis, and surveillance.

Mr David Barber, chairman, said that "since last year the topic of environmental control has become a compelling worldwide issue. The majority of the companies within the group are involved in measuring, controlling or protecting the environment. Particular areas of specialisation are the monitoring and reduction of pollution in water and in air."

"The group has concentrated on these activities for a number of years and they have been the foundations of its successful growth."

Halma made three acquisitions during the year, and there was additional capital expenditure of £3.95m. The spending was financed from cash flow, and year-end cash balances stood at £2.41m.

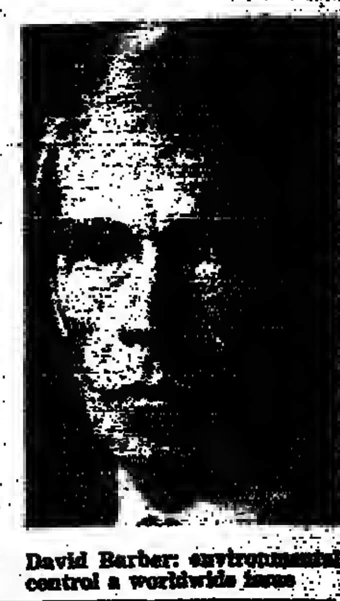
Power Equipment, a subsidiary which manufactured computer support equipment and was marginally in loss, was closed in August 1988. Profit on disposal of its premises was represented by an extraordinary credit of £297,000.

Group sales rose 20 per cent to £61.1m, including a 29 per cent rise in overseas sales to £20.48m. Earnings per share rose from 9.46p to 12.18p.

The dividend has been stepped up with a recommended final of 1.31p giving a total for the year of 2.1263p (1.636p). This 30 per cent rise follows eight successive years of 20 per cent dividend increases. There is also a proposed one-for-two scrip issue.

● COMMENT

Mr David Barber's statement was dominated, as usual, by a string of statistics. Equally typically, the numbers spoke pretty well for themselves. Earnings per share continued the steady climb which has averaged a compound growth rate of 29 per cent over the past 15 years. Just as impressive, was the achievement of operating margins of 18.9 per cent, up from 17.7 per cent last time. For a manufacturing group, this is notable and reflects the market dominance and specialist products common to many of its subsidiaries. With green markets growing strongly, and Halma well positioned to continue its effective strategy of buying niche companies for cash, the rising trend of profits and earnings per share seems set to continue. Analysts have occasionally got carried away with Halma's prospects, but this year's forecasts of £14.5m seem reasonable. The prospective multiple of 15 is obviously high relative to the market, but justified given medium-term earnings prospects and the market's awakening to green issues.



David Barber: environmental control a worldwide issue

MS Intl achieves 18% growth

By Clare Pearson

MS INTERNATIONAL, the defence and engineering group, lifted pre-tax profits 18 per cent to £4.57m in the year to April 29. Mr Michael Bell, chairman, said the most important feature was a rise in operating margins to 13.2 per cent, (9.8 per cent), which amply justified the re-rating of the company's shares.

Year-end cash balances amounted to £3.2m, against borrowings of £4.3m. This was after the acquisitions of Ulvertech, Diathane, and Turner Brothers.

Mr Bell said he "remained optimistic" about MSI being awarded an order from the US Navy for gun mountings. The total requirement would he for 600 units worth about £250m over a period of years.

Last July's £12.5m sale of the mining equipment side resulted in a £25m loss to group turnover. Sales, boosted by about £2.75m through acquisitions, were £33.24m (£47.84m).

Earnings per share fell from 11.1p to 10.7p. Nevertheless, the final dividend is lifted to 3.06p making a 3.96p (3.3p) total.

● COMMENT

MS should make about £5.25m pre-tax in the current year, putting the shares on a prospective p/e of 13. This would seem inexplicable if it were not for the possibility of obtaining the US Navy gun-mounting order — which would have a transforming effect on the company comparable to what the JP233 bomb dispensers order did for ML Holdings (which went on to make a string of acquisitions on the back of it). MS' chances look strong in that there appear to be no comparable contenders in Europe and North America; the US Navy, however, seems to be taking a long time over the decision and there could perhaps be political difficulties about awarding the order to MS. That aside, the company (which fought off a full bid for Dobson Park Industries before selling its mining side to it last year) is considered well-run and is established in some nice little niches — but the shares are far too expensive on those grounds.

Hardys & Hansons rises

Hardys & Hansons, the brewer and hotel owner, achieved improved pre-tax profits of £2.49m for the half year ended March 31, up from £2.13m.

Earnings per share rose to 32.395p (26.675p), and an increased dividend of 9.4p (7.2p) ordinary and 8.525p (6.325p) deferred is declared.

The directors said that since the end of the half year the fine weather had helped trade to improve.

Laura Ashley settlement

By Maggie Urry

LAURA ASHLEY, the retail group, has settled a court action in the US against Limited Stores, the retailer, concerning similarities between packaging of products under Laura Ashley's Penhaligon's brand and Limited's Victoria's Secrets name.

Mr John James, Laura Ashley chief executive, said "I am very satisfied with the outcome." He said he could not disclose details of the settlement which was covered by a confidentiality agreement.

Laura Ashley sued Limited Stores seeking an injunction to prevent the Victoria's Secrets range using the similar packaging. After the first day's argument in court the two sides came to a settlement.

Mr James said that Laura Ashley felt it must defend its Penhaligon's brand image or the group as a whole would lose credibility.

Mr Michael Ward, chairman of European Leisure, and Mr Peter Stringfellow: toasting a £7m deal

European Leisure expansion continues

By David Churchill, Leisure Industries Correspondent

EUROPEAN LEISURE, the nightclub and leisure group, yesterday continued its rapid expansion into the leisure sector with acquisitions totalling £12m in London and Paris.

The company is buying the London Hippodrome nightclub for £7m in cash, and two nightclubs and a restaurant in Paris for £5m.

European Leisure's acquisition of the Hippodrome came in spite of strong competition from other leisure operators including Mecca Leisure, the UK's leading nightclub group.

The company is buying the Hippodrome from Mr Peter Stringfellow, the London nightclub operator, who recently opened a Stringfellows nightclub in Miami.

Unauditsd managemsnt accounts for the Hippodrome reveal that it made profits before tax and interest of £651,000 in 1988 and had net fixed assests of £2.4m at the year-end.

In Paris, European Leisure is buying the Studio 102 nightclub and Pau Brazil restaurant and is planning to convert the Metro station at Porte Maillot into a nightclub. It is paying £2m in cash, £2m in ordinary shares, and a further £1m linked to profits up to 1994.

High street moves by Amber Day

By Edward Sussman

AMBER DAY Holdings, the fashion group, launched what it described as the first stage of a significant expansion into high street retailing with the acquisition of Woodhouse for an initial £1.1m.

Amber will issue 1.36m ordinary shares, 3 per cent of the enlarged share capital, to meet £750,000 of the initial payment. The group, which already controls 12 mens wear shops called Review, may pay an additional £3m profit-related consideration to Mr Philip Start, Woodhouse's founder.

Woodhouse operates nine mens wear stores. It incurred a loss of £635,886 on turnover of £7.2m in the year to March 4. Tangible net assets were valued at £1.1m on June 4.

Several other acquisitions are forseen, Mr Green said. Both Review and Woodhouse are likely to add more stores.

Blue Arrow recently sold its 9.6 per cent stake in Amber Day after a disagreement over its direction.

Clyde Blowers up

Pre-tax profits at Clyde Blowers, manufacturer of soot-blowing equipment and boiler controls, rose from £68,000 to £85,000 in the half year to end-February.

Turnover fell from £1.75m to £1.70m, following a redundancy programme which cost £65,000 in the comparable period.

An unchanged interim dividend of 0.83p is payable. Earnings per share were 6.4p (4.8p).

Two further PR buys for Shandwick

By Nikki Tait

SHANDWICK, the acquisitive public relations group, has made two further purchases of PR businesses, one headquartered in New York and the other in London. The maximum consideration is $25m (£16m) and £1.78m respectively.

Shandwick is funding the initial payments plus expenses, totalling £5.7m, by a placing of 4.28m shares at 133p.

Shandwick's chairman, Mr Peter Gummer, is placing a further 2.3m shares. Rowe & Pitman bought them at 131p but they will be placed at 133p. Mr Gummer's stake, currently around 12 per cent, will fall to about 8.9 per cent in the enlarged group. Shandwick shares eased 6p to 133p.

The larger purchase is of Dorf & Stanton, a New York-based PR business. In the year to end-October 1988 it made pre-tax profits of $1.05m.

Initial consideration is $8.38m. Profit-related payments could continue until 1994, to a maximum $25m total.

The smaller purchase is Welbeck Golin/Harris, a sister company to Golin/Harris in Chicago which Shandwick acquired earlier this year. Profits were £4,000 in 1988. Initial consideration is £850,000 with further consideration possible, to a maximum £1.78m.

Waterglade buy

Waterglade International has paid £7.95m for a four acre site in Hamburg on which to build a 330,000 sq ft office park. The company is looking for a joint venture partner for the project.

JOBS

Fresh light on executive pay across Europe

By Michael Dixon

COUNTRY	POSITION	Up to 100 employees: Basic salary £	All cash rewards £	Buying power £	250-1,000 employees: Basic salary £	All cash rewards £	Buying power £
Switzerland	Managing director	53,691	61,745	38,067	77,469	93,193	53,241
	Sales & mktg head	42,570	45,638	29,645	55,609	63,279	39,013
	Personnel head	35,666	38,501	26,449	47,172	52,541	33,169
France	Managing director	55,923	65,429	44,638	62,879	73,569	52,286
	Sales & mktg head	43,185	51,390	38,378	47,585	55,602	41,758
	Personnel head	34,534	38,678	30,005	39,828	44,383	33,609
West Germany	Managing director	62,288	69,794	42,112	71,605	84,708	49,258
	Sales & mktg head	38,156	44,148	29,315	42,831	48,823	31,983
	Personnel head	27,128	28,247	19,906	37,728	40,362	27,152
Italy	Managing director	60,745	71,464	40,341	65,548	80,045	43,596
	Sales & mktg head	47,503	52,781	30,998	52,127	57,921	33,500
	Personnel head	37,684	41,862	25,748	44,404	49,339	29,466
United Kingdom	Managing director	32,500	40,042	27,909	48,000	51,458	34,637
	Sales & mktg head	25,372	28,831	21,335	30,879	33,468	23,762
	Personnel head	21,142	21,248	16,317	24,199	25,416	18,960
Belgium	Managing director	39,622	50,700	25,562	66,373	75,059	33,203
	Sales & mktg head	27,915	33,423	19,556	39,827	44,941	23,247
	Personnel head	28,702	30,275	18,407	33,344	38,993	21,418
Netherlands	Managing director	45,322	52,532	27,551	58,480	65,789	31,505
	Sales & mktg head	30,409	44,152	24,263	46,199	52,047	27,245
	Personnel head	—	—	—	39,035	41,813	23,544
Ireland	Managing director	28,822	31,634	18,205	43,937	47,803	24,749
	Sales & mktg head	23,726	26,362	15,870	27,482	30,756	17,695
	Personnel head	21,968	21,968	13,867	28,212	28,251	18,258

WHENEVER the Jobs column prints salary-survey figures like those in the table alongside, it crosses its fingers and hopes. The hope is that somebody responsible for setting the pay policy of some organisation will get in touch to say justice has returned to the world.

Alas, the only news that has so far arrived from the policy-setters on such occasions has been to the opposite effect. It seems that pretty well every time I report on a pay study, they receive complaints (usually anonymous) from people in their organisation who have evidently compared their own rewards with the most nearly relevant survey finding, and decided they are shamefully undervalued.

But the policy-setters have never yet received a grateful communication from any colleague who, by the same token, has decided that he or she is overpaid. And that is what leads them to believe there is no justice in the world, for it is certain that the survey results must raise a pleasant glow in some people's hearts.

The reason is that the studies measure rewards by reference to "benchmark" job-holders. For example, in today's table covering managing directors and heads of personnel and of sales and marketing in eight European countries, the benchmark is the median executive — the one who would be exactly midway in a pay-ranking of all in the same type of job in the same land. So to all practical intents and purposes half of the executives concerned were paid more than the median amount, with the other half receiving less.

The table is compiled from a survey published yesterday by European Remuneration Network, a consortium of half a dozen management consultancies based in the eight countries covered. Although each of them has long been making its own single-nation studies, this is the first time they have got together to produce a joint overview.

It is based on information from 2,673 companies with a total of 29,396 executive staff, and is dated as at May 1 (although in my table the Continental currencies have been converted into sterling at the London closing rates of last Friday night.)

The full report gives data on 29 jobs at four managerial levels. Anyone who wants it, and has £500 to hand, should contact Tom Raftery of P-E Inbucon — the British member of the consortium — at Park House, Wick Rd, Egham, Surrey TW20 0HW; telephone 0784 434411, fax 0784 437828.

While today's figures are limited to heads of personnel and of sales and marketing in addition to managing directors, my plan is to give equivalent data for heads of finance and production in the Accountancy column in tomorrow's FT. On both occasions, however, the information is and will be restricted in another way.

To some extent the restriction compensates for the usual tendency of pay figures appearing in this corner of the paper. For since organisations that contribute data to published surveys tend to be large ones, the findings are apt to be biased towards higher than average big-company rewards.

By contrast, my extracts from the consortium's study refer to executives in companies of two specific size-ranges: those with no more than 100 employees all told, and those with between 250 and 1,000. Besides the median basic salaries for each group of executives in each country, the table shows the median total rewards received in money including incentive bonuses and so on, and an indicator of the buying power that the total represents.

The indicator is calculated by deducting the particular country's standard tax and social security charges for a person of the relevant income-level who is married with two dependent children, then adjusting the resulting net pay figure in line with an index of international price differences. But since the index does not take account of housing costs, the buying power indicator is at best a loose approximation.

The countries are ranked in the table according to the buying power of the median managing director of the company with 250-1,000 employees. By that criterion Switzerland takes top place, as it has done in every cross-Europe pay survey the Jobs column has seen before. But if the measure is changed to the buying power of the MDs of the smallest companies, the Swiss come only fourth.

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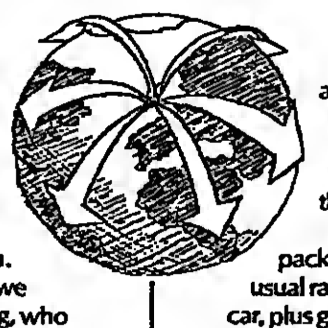

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As part of our Client's planned growth objective of building a global network in investment banking, we now invite applications from individuals, aged 25-35, who must have had a minimum of 3 years' demanding experience in Capital Markets either in bond sales, in marketing of swaps and/or covering French clients. Fluency in French and English is essential. The selected candidate, who will report to the Head of French Client Relations, will be responsible, as part of a team, for the effective servicing of established clients as well as developing further the organisation's French customer base. A keen appetite to do business and the ability to close deals are key. Initial base salary is negotiable £35,000-£65,000, plus significant performance related bonus, car and banking benefits.

For this appointment we are particularly keen to hear from candidates in strict confidence by telephone on 01-628 0969 or alternatively in writing, quoting reference number AOIB22460/FT, when your reply will be forwarded unopened to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager: CJRA.

CAMPBELL-JOHNSTON RECRUITMENT ADVERTISING LIMITED, 3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ.

Shepherd Little & Associates Ltd

Banking Recruitment Consultants

SENIOR CREDIT ANALYST **Circa £35,000**

This will be a management level appointment, deputising for the Head of credit, with a triple 'A' rated European Bank. Candidates should be in their 30's and educated to degree level with considerable p.c. experience gained from within the risk analysis environment of another large bank in the City. Our client offers a sophisticated range of financial transactions to its impressive list of clients in the U.K. They wish to strengthen this support function in London by appointing an individual with the depth of knowledge and potential that will allow further promotion as the group expands.
Please contact Brenda Shepherd.

LENDING OFFICER FLUENT FRENCH **Circa £25,000**

This is a new position for a well known European bank wishing to further strengthen its connections with medium sized corporates in the U.K. They seek candidates, who are fluent in French, with a background in negotiating, pricing and structuring loan facilities. Many deals will be syndicated in nature therefore the ability to establish and maintain relationships with other banks would be an additional advantage.
Please contact David Little.

CREDIT ANALYST MARKETING POTENTIAL **Circa £25,000**

A well known and prestigious international bank is seeking an ambitious, well educated young banker with a background in credit analysis. This position offers the opportunity for the successful candidate to move into a specialist financial division handling LBO and MBO transactions. Preference will be shown to applicants who have already had some exposure to this type of business.
Please contact Keith Snelgrove.

Ridgway House 41/42 King William Street London EC4R 9EN
Telephone 01-626 1161

UNIVERSITY OF OTAGO

Dunedin, New Zealand

CHAIR IN ECONOMICS

Applications are invited for the second Chair within the Department of Economics. This Chair has been established to provide additional academic leadership in a department that has experienced a steady growth in student numbers over recent years and as a result several appointments will be made in the near future. The current academic staff establishment of the department is 25 and there are a number of part-time tutors and non-academic support staff. The department is active in research and has an excellent record of publications, including books as well as articles in leading journals.

In addition to the undergraduate three year course and a four year Honours course in Economics, the department is involved in postgraduate programmes leading to an MCom in Economics, MBA and PhD degrees. The department has a large number of postgraduate research students.

The successful application will have substantial academic depths in both teaching and research in one or more fields of Economics.

The present Chairman of the Department of Economics is Professor A K. Dasgupta and in the future the successful candidate may except to be appointed to the chairmanship.

Professional salaries are presently paid within the range NZ$76,000-NZ$95,000 per annum.

Further particulars are available form Appointments (36556), Association of Commonwealth Universities, 36 Gordon Square, London WC1H OPF, or from the Registrar, P O Box 56, Dunedin, New Zealand.

Applications quoting reference number A89/9 close on 30 September 1989.

Equal Opportunity in Employment is University Policy.

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Commercial/Banking Lawyers £ See below

Most City Lawyers dream of:- high quality demanding work; intellectually stimulating colleagues; adhocratic rather than bureaucratic systems; attractive and well sited premises; supportive and adequate infrastructure; and nice people who respect you as an individual rather than as a 'potential human being'.

This need not remain a dream. Our client has an unequivocal vision of its niche market, a good flow of work from quality European/US clients and is adequately capitalised and funded.

Two new vacancies (one Partner; one 2-3 year admitted) exist for competent lawyers with outstanding drafting skills. They may originate from a variety of backgrounds in banking, private practice, or other commercial undertakings. Above all, they must share the dreams, vision and commerciality of a small, highly profitable firm with robust and growing international connections.

Remuneration is to be negotiated to secure the best available talent. At the most junior level it will not be less than £30,000. Profit share for the Partner could be very substantial.

To discuss this matter in absolute confidence, telephone me on 01-321 0336 or write to me as below.

NB. your details will not be released to anyone without your express permission.

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Peter Willingham (Ref 054)
Managing Director
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Excellent career opportunity for individual keen to build on compliance experience, promotion prospects within 2-3 years.

CJRA

COMPLIANCE ANALYST

CITY £18,000-£25,000 + BONUS

LEADING INTERNATIONAL SECURITIES HOUSE – WITH WELL ESTABLISHED AND NEW PRODUCT LINES INCLUDING FIXED INCOME AND EQUITIES

We invite applications from candidates, aged mid twenties to early thirties, who should ideally have had two years' previous experience in compliance. Knowledge of TSA and SEC, AFBD and CFTC rules and regulations are important. The selected candidate, as part of a small team reporting to the Compliance Officer, will be responsible for ensuring that the firm is in compliance with all internal and external rules and regulations required of the firm to conduct business. In particular this will require: monitoring and reviewing proprietary and customer accounts for the Fixed Income product; assisting with Equity surveillance; plus reviewing and filing all necessary compliance forms. Essential qualities are self-motivation, the ability to function independently, excellent written and verbal communication skills as well as being able to liaise effectively with all levels of employees including senior management. Initial base salary will be negotiable in the range £18,000-£25,000 plus bonus, non-contributory pension, free life assurance and BUPA. Applications in strict confidence, under reference CA22457/ST will be forwarded, unopened, to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager: CJRA.

CAMPBELL-JOHNSTON RECRUITMENT ADVERTISING LIMITED, 3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ.

PERSONNEL

SENIOR OFFICER

City based

The opportunity exists to join the human resource team of one of Europe's top international banks and play a significant role in the continued expansion of its UK operation.

Reporting to the Personnel Manager of this busy department, initially the prime responsibility will be to undertake all aspects of the recruitment function, including internal and external liaison, preparation of job and candidate specifications, interviewing, and related administration. A career path is envisaged, however, which will lead to greater involvement in other areas of personnel.

Ideally aged 22-32, candidates should possess a minimum of three years' relevant experience, preferably gained within a bank, other financial institution or specialist recruitment company. Though not essential, an IPM training as well as a knowledge of a European language would be advantageous.

In addition to a competitive salary, the usual banking benefits will be offered.

For an initial discussion in complete confidence, please telephone or send a curriculum vitae to **Roy Webb, Managing Director, or Walter Brown, Executive Director.**

INTERNATIONAL FINANCIAL RECRUITMENT CONSULTANTS

7 Birchin Lane
London EC3V 9BY

Tel: 01 895 8050
Fax: 01 626 2092

Devonshire Executive Ltd

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INVESTMENT ADMINISTRATION MANAGER REQUIRED

For small West-End investment management company. The candidate must be fluent in French and Hindi or Gujerati, have banking/investment back office experience, be able to work with investment software and have good interpersonal skills.

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01-935 5452 (24 hrs).

IF THE CURRENT CLIMATE in the city has reduced your earning capacity - and you are aged between 21 - 30 call Edward Currie on 01-833 3593 and get back to being amongst the top earners in the United Kingdom.

Bankers Trust is a global merchant bank with an international reputation for excellence. Much of our success is based on a flexible and imaginative approach to the financial services marketplace. This is particularly evident in the Capital Markets area, where we now need to augment our high profile transactions team.

International Capital Markets

Transaction Management

The product range is extensive: international bonds, syndicated loans, warrants and private placements. The roles are substantial, encompassing the structure, negotiation and implementation of mandates from management of the documentation to liaison with all parties to achieve successful completion.

We are looking for high-achieving individuals to join the team at two different levels. Both positions require you to be a graduate with a legal or banking background. Intelligence, initiative and hard work are common pre-requisites. At the more senior level you will have at least one year's relevant experience, whereas for the junior position no direct experience is required.

This rapidly expanding area offers demanding personal challenges and exceptional career opportunities. The remuneration package is excellent and includes mortgage subsidy and bonus.

To apply, please write in confidence to Joan Woods, Human Resources, Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2HE.

Bankers Trust Company

Management Consultant

A leading consulting firm is seeking a Consultant with particular knowledge of the Scandinavian, particularly Norwegian, Energy Market.

Candidates must have an MBA from a leading International Business School and knowledge of the Petrochemicals markets. Fluency in both English and Norwegian is essential, together with a good knowledge of at least one other European language.

The successful candidate must have an excellent record of academic achievement. Ability is more imporant than long previous experience.

Applications in writing with full curriculum vitae should be sent to: The Director of Personnel, Arthur D. Little Ltd, Berkeley Square House, Berkeley Square, London W1X 6EY.

Arthur D Little

CURRENCY EXPOSURE MANAGEMENT

Rapidly expanding European Currency Exposure management group with an outstanding track record seeks a highly qualified person to develop and manage their U.K. and international currency exposure management business.

The individual will be a self-starter with a background in currency trading and treasury management, will have good marketing skills and the ability to deal with senior management in corporate and institutional sectors.

Excellent salary, bonus package and prospects for the right person.

Please apply in confidence to Box A1275, Financial Times, One Southwark Bridge, London SE1 9HL

EUROMONEY

CONFERENCE MANAGER

Euromoney, the world's leading financial information company, is seeking to recruit a Conference Manager for its growing international conference business.

This is primarily a Sales position for a competent marketer who will be required to research, develop and sell international marketing services to senior personnel in financial institutions.

Applications are invited from graduates aged 25-35 with a sales background, a language ability, and experience within the banking/financial sectors. The job will involve extensive overseas travel. An attractive remuneration package will be offered to the successful candidate.

Please apply in writing to: Diane Chaplin,
Director of Administration & Personnel,
Euromoney Publications PLC,
Nestor House, Playhouse Yard, London EC4V 5EX

CREDIT ANALYST

Westdeutsche Landesbank Girozentrale, London is seeking a bilingual (German/English) credit analyst with a minimum of two years' experience in credit/risk analysis.

The position involves dealing with a variety of U.K. corporates and financial institutions, and a broad range of risk categories. Excellent career prospects and an attractive negotiable salary package will be offered.

Please reply with C.V. to Irena Guzinski at Westdeutsche Landesbank Girozentrale, 51 Moorgate, London EC2R 6AE.

CORPORATE FINANCE

CREDIT LYONNAIS

HEAD OF LBO/SYNDICATIONS

As one of the world's largest banks, with operations in over 70 countries, Credit Lyonnais established its strong UK presence over 100 years ago and has witnessed continuous development. In concert with further expansion of its UK business, the Bank seeks to appoint an experienced executive to manage the structured finance unit.

Reporting directly to an Assistant General Manager within the Bank's City based UK Headquarters, prime responsibilities will be to head its activities in the LBO/MBO, project finance and syndications areas.

Candidates, ideally aged 28-38, should possess:

* several years' practical experience in the sector, including a good understanding of the leveraged transactions/syndications markets,
* strong financial analysis and credit risk assessment skills,
* a graduate degree or professional qualification,
* an ability to manage and motivate a team.

The comprehensive remuneration package will reflect the importance of this key management position and interested applicants are invited to discuss the opportunity in complete confidence with the Bank's retained advisor, **Walter Brown, Executive Director of The Devonshire Group Plc**, or send their curriculum vitae to him at the address below.

INTERNATIONAL FINANCIAL RECRUITMENT CONSULTANTS

7 Birchin Lane
London EC3V 9BY

Devonshire Executive Ltd

Tel: 01 895 8050
Fax: 01 626 2092

A member of The Devonshire Group Plc

MARKETING EXECUTIVES

As one of the world's largest banks with operations in over 70 countries, our strong UK presence was established over 100 years ago and has witnessed continuous development. Currently we are embarking upon a major expansion of our existing range of wholesale, corporate and private banking services.

To assist spearhead the development of our country-wide marketing activities, we are now seeking experienced relationship officers whose prime responsibilities will be to target and generate profitable business from both existing and new clients in a given sector. The positions call for sound technical skills, including risk assessment, and a flair for innovative product packaging and cross-selling.

Applications are invited from energetic, committed, self-motivated executives, probably aged between 25 and 32, who can demonstrate presence, excellent communication skills, and a successful track record in marketing financial products independently at a senior level. The rewards, in addition to an attractive salary and bonus, include the usual banking benefits, together with excellent career prospects throughout the Credit Lyonnais network.

Interested individuals are invited either to telephone or send their curriculum vitae to Ona Joyce, Senior Personnel Officer, Credit Lyonnais, 84-94 Queen Victoria Street, London, EC4P 4LX, tel: (01) 634 8364.

CREDIT LYONNAIS

BANK INCORPORATED IN FRANCE WITH LIMITED LIABILITY IN 1863

Girozentrale Gilbert Eliott

EQUITY AND CONVERTIBLE SALES

Girozentrale Gilbert Eliott is the London securities arm of Girozentrale Vienna, Austria's second largest bank.

We are committed to developing our role in research-based agency broking for UK and European institutions. Opportunities exist for dynamic individuals with existing business as well as ambitious self starters to join a well established and profitable team.

The ideal candidates are likely to be in large firms but feeling frustrated that their achievements are not making the impact they should. Remuneration will not be a problem for the right candidates and a generous departmental profit sharing scheme is in place.

Contact: J.C. Knight, Director,
Equities,
Girozentrale Gilbert Eliott,
Salisbury House,
London Wall,
London EC2M 5SB
Tel: (Office) 628-6782 or
(home) 673-6077

Jonathan Wren Executive

SENIOR FOREX DEALER
£50,000+

We seek a senior foreign exchange dealer to spearhead the dealing operation of a City-based bank. Experience of both spot/forward required - main currencies US$/DM. You will presently be working in a very active dealing environment and have the personality and presence to progress within the organisation.

Excellent benefits package including company car and profit-related bonus.

Please contact Norma Given on 01-623 1266.

SENIOR US EQUITY FUND MANAGER
c£45,000

Our client, a leading investment bank, requires a senior US equity fund manager who will participate in the bank's major expansion plans. The successful candidate will be aged 30-35 and have 3-5 years experience of managing client portfolios, together with some knowledge of derivative products.

Please contact Martin Symon on 01-623 1266.

LONDON HONG KONG MIDDLE EAST SINGAPORE SYDNEY

Jonathan Wren
Recruitment Consultants
No. 1 New Street, (off Bishopsgate), London EC2M 4TP
Telephone: 01-623 1266 Fax: 01-626 5258

CREDIT ANALYST
Real Estate

First Interstate Bank of California is part of one of the major banking groups in the United States. In our London office, situated just off the Strand near Charing Cross Station, we now have a superb opportunity for an individual who is interested in developing a career within property finance.

Reporting to the Head of Real Estate, your responsibilities will cover a wide variety of property companies and transactions. Primarily you will assist Loan Officers in spreading and analysing financial statements, preparing credit reviews and occasionally accompanying them on customer calls. You will also be involved in the preparation of statistical data, loan documentation and research.

We are looking for a graduate with a minimum of 18 months' credit experience, ideally gained on a clearing/international bank management training scheme. Knowledge of computerised systems and spreadsheets will be useful. Specific Real Estate experience is not essential, but candidates should be capable of identifying and analysing the important features of property company accounts.

As well as a competitive salary and the benefits associated with an international bank, the position offers excellent scope to progress into a marketing role within two years in an organisation where individual effort is recognised and rewarded accordingly.

Please write to:-
Caroline Swallow,
First Interstate Bank of California,
6, Agar Street, London WC2H 4HN.

First Interstate Bank of California

U.S. Capital Markets Fund Management

An outstanding opportunity has arisen for a high calibre individual looking to enhance their career in fund management or make the move from sales/trading to fund management.

We are a city based independant fund management company with a substantial U.S. dollar portfolio looking for a dealer, probably a graduate with 2/3 years experience, currently working the U.S. domestic capital markets. The right applicant will have to demonstrate his/her expertise in trading in the U.S. treasury market as well as having the technical expertise to maintain a large fund using portfolio strategy techniques.

Salary negotiable for the right person.

Write Box A1277, Financial Times, One Southwark Bridge, London SE1 9HL

M.D.

For rapidly expanding company in the house improvements market, must have strong financial and administrative skills with a proven track record. Excellent financial package including participation.

Telephone: 01-767-1272
Mr Weiner

APPOINTMENTS ADVERTISING

Appears every Monday Wednesday and Thursday

for further information call 01-873 3000 (Ext 3694)

BACK OFFICE CLERKS

Consulting firm is seeking broking/banking back office clerks with 3-4 years experience for temporary assignments. May lead to permanent position.

Send current C.V. to Mr M.M. Marx, Box A1280, Financial Times, One Southwark Bridge, London SE1 9HL

The Merchant Banking subsidiary of a Major Japanese Bank seeks creative individuals for the following roles:

Economic and Market Analyst
Computer Generalist

The roles will have considerable flexibility and be rewarding for the right person.

Relevant experience is required.

Write Box A141, Financial Times, One Southwark Bridge, London SE1 9HL

CORPORATE BANKING OFFICER. A graduate with good credit experience and some exposure to Marketing. French language is essential. c£25,000/

CREDIT ANALYST with securities experience and ability to deal with documentation. Preferably ACIB. c£18,500.

INTERNAL AUDITOR. Financial/EDP audit exp. Either a bank auditor or p/g ACA with knowledge of investment banking products, to £23,000.

INTERNATIONAL AUDIT. Graduates with min. 2 years' banking exp. for N. American bank. Approx. 40% European travel. Mid-late 20s.

Please tel. Shelagh Arneil on 01-583-1661or send CV to her in confidence: ASB INTERNATIONAL RECRUITMENT, 50 Fleet Street, London EC4Y 1BE. (part of Angel International Recruitment).

FINANCIAL MANAGER
European Institutional Banking — £45-£50,000

A leading International bank is looking to recruit an ambitious Financial Manager to join their European Institutional bank management team. Reporting to the European Institutional bank executive, the successful candidate will be responsible for financial reporting, forecasting and budgeting and the provision of management information for a broad range of businesses including Trust, Securities, Payments and Trade products. This key management position is seen as playing a vital role in the development of these businesses in the 1990s. Applicants should be qualified ACAs or ACCAs, preferably educated to degree level, and will undoubtedly have experience of working within an International banking environment.

UK MANAGER
Risk Control — £40-£45,000

An exceptional opportunity exists with a premier International bank for an individual with audit or general banking experience to manage their UK risk control function. The successful candidate will work with senior management in reviewing the accounting and exposure implication of introducing new financial products to the bank and will manage a team pro-actively identifying and addressing risk issues. Candidates should be educated to degree level and whilst an ACA or ACCA qualification would be ideal it is not essential.

ANALYST
European Financial Markets — c.£30,000

Our client, one of the world's most respected credit organisations, is looking to recruit a high calibre graduate or MBA to join a team of professionals focused upon the rating of structured financings. Following an initial assignment in New York, the successful candidate will be assigned to a European country with responsibility for the analysis of a variety of factors which impact this market. Candidates should have a command of English together with at least one other European language which is likely to be their mother tongue. Additionally they should have strong analytical and communication skills.

CREDIT ANALYST — To £25,000

This expanding European bank wishes to enhance its Credit area by recruiting an additional Credit Analyst. The position involves handling UK Corporates. The successful candidate will have a minimum of two years' Credit experience and be seeking a demanding and challenging role where promotional prospects are first class.

For further information please contact:-

Gill Pemberton or Judy Elmer
Wall Court Associates,
11 Wall Court, London EC4M 9DN.
Tel: 01-236 0723 Fax: 01-489 8305
Executive Recruitment Consultants

WCA

Senior Property Banker

£35,000-£50,000 + Incentive Bonus + Car + Banking Benefits

Our client is a premier banking institution. It has a long pedigree in property banking, with particular strengths in many "niche" markets alongside its mainstream activities. Increasingly they are turning to more sophisticated capital markets products to fulfil their client's needs.

They now require an experienced and proven "deal doer" in the property market. Ideally this individual has worked extensively in a specialist property group within a bank; alternatively it is possible that they may be working as a Chartered Surveyor or Accountant within a property company at present. Strong analytical skills are essential, combined with a degree of "entrepreneurial" flair. Preferred age is mid 30's.

This is an opportunity to join a major player and work with a considerable degree of freedom in an organisation where property banking is a key part of overall business strategy, and a highly respected division of the bank.

Interested candidates should contact Kevin Byrne on 01-248 3653 (076382-728 evenings/weekends) or write, sending a detailed CV to the address below or use our confidential fax line on 01-248 2814. All applications will be treated in the strictest confidence.

76, Watling Street, London EC4M 9BJ

BBM ASSOCIATES

Tel: 01-248 3653

CONSULTANTS IN RECRUITMENT

KANSALLIS-OSAKE-PANKKI

LONDON BRANCH

RELATIONSHIP MANAGER — SCANDINAVIA

Kansallis-Osake-Pankki is the leading commercial bank in Finland and one of the largest banks in the Nordic Region. Its London Branch provides commercial and capital market products to Nordic, UK and international companies and financial institutions.

As a result of the expansion of its business, the London Branch is now seeking an additional account and relationship manager to its Scandinavian Marketing department. The successful candidate should hold a good degree in a business related field, must have at least three to five years previous international banking experience, good credit skills and judgement, all round skills in account and relationship responsibilities, and the ability to master a Scandinavian language.

Above all the candidate should have energy and the ability to work effectively within a team.

A competitive salary and banking sector benefits are offered.

Please write with full CV to:
Miss D-J Hunn, Personnel Manager.

KANSALLIS-OSAKE-PANKKI
LONDON BRANCH
MEMBER OF THE KANSALLIS BANKING GROUP
Kansallis House,
80, Bishopsgate,
LONDON, EC2N 4AU

Old established London Branch of Major European bank seeks to recruit

SPOT FOREX TRADERS
at both CHIEF DEALER & SENIOR DEALER levels

Candidates, likely to be in their late twenties/early thirties, will have several years experience trading major currencies in an active bank dealing environment.

Excellent prospects with a commensurate remuneration package to reflect the importance and potential further expansion attached to these positions.

Applications, together with comprehensive CV to:
Box A1271, One Southwark Bridge, London SE1 9HL

DATABASE ADMINISTRATOR
NET 35-55,000 P.A. PLUS BENEFITS

A major financial institution in the United Arab Emirates requires a Database Administrator to work with a team of professionals in an established Computer Department. The Department utilizes state-of-the-art relational database products and development tools. The candidate will be required to perform DBA roles and ensure that the design and implementation of a wide range of financial applications are being developed satisfactorily.

The successful candidate will receive a tax free salary of up to Pound Sterling 55,000 p.a. plus free accommodation, free medical care, subsidised school fees, annual air tickets for the family 45 days annual leave and end-of-service gratuity.

The applicants should have a university degree, substantial experience of Relational DBMS on VAX-Cluster and hands-on experience using SQL and 4GL. A minimum of five years experience in business application development and project management is essential. Preference will be given to candidate with sound experience in designing financial/investment systems using INGRES.

The successful candidate will have a contract for two years, renewable.
Interviews will be held in London.
Send your detailed CV and passport size photograph to:

Box A1279, Financial Times, One Southwark Bridge, London SE1 9HL

Phoenix Securities Limited
Mergers & Acquisitions

Phoenix Securities is one of the leading firms engaged in the initiation and arrangement of mergers, acquisitions and other corporate finance transactions in the financial sector. The business is carried out largely in London, although many transactions involve overseas companies.

An opportunity exists for an individual, aged 25-30, with proven experience in mergers and acquisitions, to join the small executive team.

The successful applicant will have full involvement in transactions working closely with the senior directors. Maturity, intelligence, integrity and a capacity for hard work of a high standard are prerequisites.

Excellent salary and performance related bonus are offered together with normal banking benefits.

Please reply in writing, enclosing full cv,
Reference H341.
54 Jermyn Street, London SW1Y 6LX.

S N

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Stockbrokers

Our client, an old established independent firm who believe that the clients needs are of paramount importance, and who have not forgotten the tradition of personal care and attention, are seeking experienced individuals or teams to play an integral role and contribute directly to the firms business development in servicing private clients throughout the country.

This combined with an efficient on-site back office system, will result in a combination of steady growth and a superb reputation.

As a highly successful independent they can offer freedom from bureaucracy, total support of a caring and efficient team as well as high financial rewards and excellent long term career prospects.

Contact Peter W. Richmond in complete confidence on 0532 428842 or send a detailed c.v. to the address below:

PROVINCIAL HOUSE, 26 ALBION ST, LEEDS LS1 6HX, WEST YORKSHIRE

PRIVATE CLIENTS

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WILSON CHARLES

Rathbone

MARKET OPPORTUNITIES

Rathbone has established itself as one of the UK's leading search and selection consultancies operating in the Financial Markets. We are currently acting for a number of quality houses who have an interest in meeting people with experience in the following areas:-

Equity Sales to £100,000 — We have positions ranging from Head of Equity Sales through to Junior Institutional Sales. Ideally, you will be servicing either a Continental European or UK client base and generating substantial commission.

Specialist Equity Sales to £100,000 — If you have experience in the financial, leisure, advertising, smaller companies, electricals, oil or investment trust sector, several quality houses are looking to increase their existing teams, both in London and the provinces.

Options Sales to £[illegible] — Experienced Institutional Options Salesmen are required for this leading UK house. Exceptional managerial opportunities are available for the right people.

Equity Research to £75,000 — Our clients require individuals/teams with proven experience in the following sectors-textiles, electrical, insurance, smaller companies, leisure, advertising, paper and packaging, oil and property.

Corporate Finance £V. Neg — We are interested in talking to Corporate Finance Executives with good marketing and technical abilities. Ideally professionally qualified, our clients are looking for dynamic individuals who can play a major role in their development.

Bond Sales to £75,000 — Salespeople with existing European client base (preferably Italian or Swiss) are required by leading City houses to complement their highly successful sales teams.

Options Trainees £12,000 — Our clients require young, aggressive, numerate and self motivated trainees to join their trading teams.

The Rathbone Consultancy

Premier House, 77 Oxford St, London W1R 1RB, England. Tel: 439 1188/287 5704 Fax: 494 0539

EXECUTIVE SEARCH

A newly established Executive Search firm specialising in Investment Banking seeks Consultants with either Corporate Finance, Treasury or Fixed Income backgrounds. The Company boasts an unrivalled client base and annual commitments which will assure it of a successful future. Candidates should have over 5 years experience of a relative market, an excellent reputation within the industry and a wish to work within a highly creative, unstructured and stimulating environment.

Reply to Box A1267 Financial Times, One Southwark Bridge, London SE1 9HL

INTERNATIONAL APPOINTMENTS

SWITZERLAND

THE BANK FOR INTERNATIONAL SETTLEMENTS
an international institution located in Basle
with about 300 staff members from 20 countries

has a vacancy for an

EDITOR

in its Press Service
(age range 28-35)

mainly to assist in preparing documents for internal information.

Candidates must have English as their mother tongue and be very proficient in German, French and Italian. Thorough grounding in economics with emphasis on central-bank policy and practice and international monetary affairs. Ability to translate challenging texts on economics and related subjects from the above-mentioned foreign languages into English.

Further requirements are an ability to work speedily and under pressure, flexibility and adaptability, team spirit.

The Bank offers very attractive terms of employment in an international atmosphere, *excellent welfare benefits*, staff restaurant and the facilities of its own sports centre.

If you are interested, please send your application together with a recent photograph and references to the Personnel Section, Bank for International Settlements, CH-4002 Basle, Switzerland, quoting Reference No 89029.

Young, but experienced Mergers and Acquisitions Expert

Job description
Exploration of projects, market research in the corporate sector, analysis of enterprises.

Chances
Development into management functions, especially in the corporate sector by individual career planning.

Qualifications
- specific economic background and education
- at least 3–4 years of respective experience (with investment bank or broker)
- good knowledge of company law and tax law
- appropriate ability to correspond with different levels of important business partners
- fluent knowledge at least of English and German
- willingness to travel world-wide ex Cologne
- age should be around 30.

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COMMODITIES AND AGRICULTURE

Talk of Soviet wheat deal boosts US futures prices

Deborah Hargreaves in Chicago

WHEAT FUTURES prices surprised traders by shooting upwards yesterday on the Chicago Board of Trade as the market rumbled with rumours of renewed Russian interest in US grain.

Rumours of a major Soviet purchase of soft red winter wheat sent Chicago's speculators scrabbling into wheat futures amid much shortcovering by traders.

The purchase is believed to be in the 500,000- to 750,000-tonne range and, unusually, is expected to be at market prices instead of under subsidy. But no announcement has yet been made.

Strength in wheat injected some support into maize and soyabean futures prices, although the Midwest weather continues to dominate trading patterns in those contracts.

Although there was some recovery in maize and soyabean prices yesterday after Monday's nosedive, traders at the Chicago Board of Trade were not sanguine about long-term price prospects.

"There is still more moisture out there," commented Mr Bod Frazier at Chicago brokerage, Balfour Maclaine. "If that fails, of course, we rally the market, but just now we're still under pressure."

The performances of maize and soyabeans were mixed as traders anticipated delivery of July futures contracts tomorrow. However, any current strength in the market brings out a lot of farmer and trader selling which renews the downward pressure. Many traders with long positions tried to sell out of the bean market before having to make deliveries.

The maize and soyabean crops are looking pretty healthy in the Midwest, which is why traders are so pessimistic about the futures price outlook. Last year's drought depleted sub-soil moisture, but this is largely being made up again by heavy rainfall across the country. Indeed, parts of the cornbelt are suffering from too much moisture.

"It's still early – we've had the crop deteriorate after July 1 before," says Mr Gordon Linn, president of Linnco Futures in Chicago. "But we need really high temperature estimates in the 6-10 day weather forecast to get the market excited."

● A plan being considered by Congress to ease restrictions on what US farmers can plant would increase the acreage of wheat, soyabeans and sunflowers at the expense of maize and sorghum, a US Department of Agriculture official said, reports Reuter from Washington.

BHP signs oil exploration deal with Algerians

By Max Wilkinson

BHP PETROLEUM, subsidiary of the Australian natural resources group, has signed an agreement with Sonatrach, the Algerian state oil company, which allows it to begin exploring for oil in that country.

The contract allows BHP Petroleum to start exploring in two blocks covering some 7,300 sq km, about 900km south east of Algiers.

Mr Fred Tietz, the company's general manager for Europe, Africa and the Middle East, said BHP was the first independent international oil company to be allowed to acquire acreage in Algeria since the 1986 change in petroleum laws.

● Indonesia would be able to meet at least some of Japan's growing demand for low-sulphur crude oil with new output from the Intan and Widuri fields and by modifying its own refineries for foreign crude, Mr Ginanjar Kartasasmita, the Indonesian Mines and Energy Minister, said yesterday, reports Reuter from Tokyo.

US mine strike threatens world coking coal market

By Maurice Samuelson

THE STRIKE in the US coal industry will start affecting the world market for coking coal unless it ends in about six weeks, a leading European purchaser said yesterday.

He was commenting on the unrest in West Virginia, where thousands of miners are on strike over a clash between the Pittston coal group and the United Mine Workers of America.

According to other buyers, there is already concern about possible slowdowns at US ports due to delays in loading vessels.

After Australia, the US is the world's second biggest supplier of coking coals for use in making steel. In 1987, the US exported 47m tonnes of coking coal, including 19m tonnes to Europe and nearly 9m to Japan. Australia exported nearly 55m tonnes, including 12m tonnes to Europe and nearly 29m to Japan.

As customers are highly discriminating over which coal they use, they are reluctant to switch to alternative sources, and prices would quickly feel the effect of a prolonged US stoppage.

Major purchasers include British Steel, which imports most of its coking coal from the US. (British Coal meets less than a third of its needs.) So far, says British Steel, it has experienced no difficulties because of the US labour action.

The trouble flared early this month following the collapse of contract negotiations between Pittston and the UNWA. The union accused Pittston of "economic terrorism" for having stopped medical coverage for retired miners. Pittston has accused the union of bad faith and violence.

There have been sympathy walkouts by miners employed at seven other West Virginian coal companies and there have been calls, so far not implemented, for militant action in other parts of the US after five years of industrial peace.

WEEKLY METALS PRICES

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,970-2,080 (2,000-2,100).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 5.30-5.60 (5.45-5.80).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 5.90-6.20 (6.00-6.50).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.45-7.65 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 240-255 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.60-3.70 (3.70-3.75).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 6.00-6.50 (6.40-7.00).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 61-64 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 5.60-6.00 (5.80-6.10).

URANIUM: Nuexco exchange value, $ per lb, UO, 9.85 (same).

Updating ideas on gold marketing

By David Blackwell in Lugano

FT CONFERENCE GOLD

THE WORLD gold industry can no longer rely on fear and chaos to drive investors into the market, Mr Peter Munk, chairman of American Barrick Resources, told the Financial Times World Gold Conference yesterday.

"We have to let go of the past. We have to recognise that the nature of the demand for our product is shifting and some of its mythic values are less important than they used to be," he said.

The attitude of the new generation of investment managers had changed, said Mr Munk. They had not been shattered by war, famine and Weimar-style inflation. Even after the watershed of Black Monday in October 1987 there was no flight into gold, although the New York Stock Exchange lost a fifth of its value in one afternoon.

"We were so close to economic meltdown. If ever gold in our generation should have shown its mystical qualities it was that day," he said. Now the gold market had to focus its mind on marketing its product just like any other commodity producer. It had a unique opportunity to keep prices up, he said, pointing out that last year the jewellery industry soaked up a record 1,500 tonnes of gold – the equivalent of total Western world output.

He attacked the 40 per cent of gold producers who do not belong to the World Gold Council. He said they were shortsighted and selfish for avoiding the $2.50 an ounce levy. In any case, the levy represented less than 1 per cent of the selling price – a level he said was pathetic. The council was needed not merely for advertising, but for product control, attitudinal research and the whole gamut of actions needed to maintain and increase the demand for gold.

Mr Timothy Green, a consultant to Consolidated Gold Fields, agreed with Mr Munk that the attitude to gold had changed in North America and in Europe. But in Asia, he said, "a sense of insecurity still persists." The exceptional offtake of the Far East last year had provided the real floor, albeit a sagging floor, to the gold price. "In Asia gold is very much a basic form of saving, whether in jewellery or bars." So far this year the markets in Dubai, Hong Kong and Singapore were absorbing 70 per cent of non-communist world production. In the long term China, once it had settled down, would reassert itself as a growing market; Indian offtake showed no sign of slacking; and demand from the Middle East was to picking up again.

The regional markets in Asia would be a mainstay for the price and would "keep us much closer to $400 an ounce than some people have been forecasting."

Mr Alfred Schneider, of the Swiss Bank Corporation's precious metals department, said that the jewellery sector and Far East investment had hit record levels of demand last year and were likely to continue the trend. Forward sales of gold would be significantly reduced this year, he said.

Overall, he expected the physical supply demand balance to tighten this year, and he suggested that a short-covering rally could inspire Western investors to return to gold.

Mr Itsuo Jeff Toshima, of the World Gold Council's investment division, said Japanese demand for gold was likely to remain strong in the long term, especially once investors had fully absorbed the tax changes made in April. The import of gold bars had reached 294 tonnes last year and had continued briskly in the first quarter of this year, reaching 106 tonnes before the imposition of 3 per cent value added tax. In the second quarter, imports had fallen below 50 tonnes. This took first half imports to 154 tonnes, still 5 per cent higher than that of the same period last year.

Sales of large items of jewellery were expected to improve as they had previously attracted a luxury tax of 15 per cent, but were now at the standard 3 per cent level, as were one ounce coins.

He also said Japan could issue a commemorative coin in autumn next year for the coronation of the new emperor. It would soak up 100 tonnes of the left-over portion of the Ministry of Finance's huge 1986 gold purchase.

On the world production side, Mr Munk said that North American mining would become much more difficult. Mines would need to be deeper and much more capital-intensive. Complex metallurgical problems would be overcome – but at a cost. He also stressed that environmental standards were becoming ever stricter.

"All this means that there is only one way North American mining can go – and that is more expensive mining," he said. "There is no way back to the easy days."

Mr Peter Joseph of Dominion Mining said declines in production in Australia were inevitable in the next decade – and they should not be exacerbated by the untimely introduction of a gold tax on production after an absence of 67 years.

The introduction of the tax in 1991 had been decided at the peak of a boom. It should now return to the political agenda, he said, as the timing was looking singularly inappropriate.

"A corporate tax on the production of gold in 1991 will steepen the decline in production at a time when we can ill afford it. Pressure on cut-off grades will increase, exploration will drop sharply and valuable export income will be lost."

Price seen rallying above $400

By Richard Mooney

THE GOLD price is likely to move back above US$400 a troy ounce in the second half of this year, according to ANZ McCaughan Securities of Melbourne.

In its annual review of the Australian gold sector, the company says "the catalyst for that move may be weakness in the US dollar by July 1989."

It forecasts that the price will average $425 an ounce in the six months to December, up from $390 in the first half of the year.

In the longer term, "allowing for uncertainties in new projects, Australian gold production peaking in 1990, and the impact of cost squeezes," ANZ McCaughan expects that price level to be maintained on average through 1990 and a renewed advance to take the average up to $435 an ounce in the first half of 1991 and to $440 an ounce in the second half.

● Papua New Guinea's Misima open pit gold mine was formally opened yesterday by Mr Rabbie Namaliu, the PNG Prime Minister.

The mine, named after the island on which it is located, is operated by Misima Mines Pty, an 80 per cent subsidiary of Placer Pacific. The PNG Government owns the other 20 per cent.

It is expected to produce 400,000 ounces of gold and 2.6m ounces of silver in its first year.

Low prices extinguish Malawi tobacco crop hopes

Mike Hall on how mould is hindering price potential in a year of heavy demand

EARLY OPTIMISM about the prospects of handsome earnings from this year's Malawi tobacco crop, especially from the larger burley type, seems to have given way to disappointment almost halfway through the selling season.

Malawi, Africa's second biggest tobacco grower after Zimbabwe, realised record sales and prices last year for its top export, earning 483m Malawi Kwacha ($185m) or 64 per cent of total foreign earnings.

Burley tobacco, of which Malawi is the continent's biggest producer with a 15 per cent share of world exports, was especially successful.

In 1988, production rose 24 per cent to 45.5m kgs, and average prices were a handsome MK5.28 per kg. Burley alone accounted for 35 per cent of export earnings.

The results and continued demand have pushed burley production up this year to an estimated 56-58m kgs – almost double the 1986 crop. But in two months of selling up to June 22, average prices have been a disappointing MK4.46 per kg.

As the auctions opened, burley prices were so bad that growers were cancelling sales and at one point the floors were forced to close.

More recently, buyers were called to explain the low prices to top government officials, one trader said. Buyers say quality is low because of mould caused by excess rains, although it should improve as the top leaves reach auction.

World demand for burley is growing as the American-style cigarettes, which contain a higher proportion of burley, become more popular compared with the Virginia style, and demand for low-tar cigarettes rises.

Prospects for Malawi's flue-cured Virginia crop look unchanged on last year. Although average prices of MK5.05per kg are down on last year's record of MK5.29, output is expected to rise slightly to 21m kg a year compared with 20.7m last year.

The other main tobacco types Malawi produces – fire-cured and sun/air-cured – are significantly down in volume. There is strong demand from buyers. Malawi dark-fired has a distinctive and popular flavour, particularly in the French market.

The little sold so far has recorded a massive increase in average prices to MK5.70 per kg compared with MK4.12 over the whole season last year.

A small amount of oriental tobacco is also grown and sold directly to West Germany by private treaty.

The tobacco industry, previously restricted to European estate owners, grew rapidly in the 1970s with more Malawians establishing estates and the numbers of tenants and smallholders increasing. It now provides a livelihood for about 100,000 families.

Growth of the tobacco sector in Malawi, especially the estates, took off after Rhodesia's unilateral declaration of independence in 1965 and the sanctions that followed. It was a major factor in Malawi's impressive economic performance in the 1970s.

Only registered estates, or "visiting tenants" on estates, are permitted to grow the profitable flue-cured and burley tobacco. The Tobacco Control Commission regulates this to control quality and quantity.

About 54,500 smallholders produce the other traditional tobacco types. Their crop is sold directly to the state-owned crop marketing board, at prices fixed before auction, which then on-sells at the regular auction.

Some 66,000 tenant burley growers cultivate one hectare or less on 5,800 estates, but there are less than 600 registered flue-cured growers on 770 estates. Few smallholders grow flue-cured tobacco.

However, there is a project backed with foreign aid in the central region to train smallholders to produce flue-cured tobacco. It is run by the Government and trainees are settled on several smallholder schemes.

Although many estates are diversifying, Malawi continues to emphasise tobacco, especially burley, as its major foreign exchange earner.

It seeks to maintain its market share for flue-cured Virginia, continue to expand burley production and increase production of traditional types, which has been falling and for which there is still strong demand.

There is still considerable potential to expand output; flue-cured yields are estimated at half their potential and burley at one-third.

The emphasis on tobacco is dictated by circumstance. A high value to weight ratio makes it an obvious cash crop for a land-locked, agricultural country with high transport costs and cheap labour.

But the anti-smoking lobby is growing and, as this year has shown, prices are unpredictable.

WORLD COMMODITIES PRICES

LONDON MARKETS

ALUMINIUM PRICES continued their recent slide yesterday, with the cash quotation on the London Metal Exchange closing at the lowest level since December 1987. Dealers said the $11.50 fall to $1,852.50 a tonne reflected lack of physical demand and the relatively high level of LME stocks. They noted that the cash premium over metal for delivery in three months, which a week earlier stood at $72.50 a tonne, had narrowed by another $5 to $24 a tonne. Coffee prices came under further pressure dealers assessed the possibility of International Coffee Agreement export quotas being abandoned immediately if next Monday's London meeting failed to break the deadlock over extending the pact. The September position added £45 to Monday's £41 fall, taking the price down to £996 a tonne – a 10½-month low.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.55-5.65w	+.075
Brent Blend	$18.10-8.20v	+0.10
W.T.I. (1 pm est)	$20.40-0.45w	+0.30
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$222-224	+4
Gas Oil	$145-146	
Heavy Fuel Oil	$87-89	-2
Naphtha	$156-159	-8
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$376.0	+0.5
Silver (per troy oz)♣	533c	-1
Platinum (per troy oz)	$510.15	+1.90
Palladium (per troy oz)	$154.75	+0.75
Aluminium (free market)	$1855	-30
Copper (US Producer)	114⅝-118c	
Lead (US Producer)	38.5c	
Nickel (free market)	550c	+5
Tin (European free market)	$10075	+37.5
Tin (Kuala Lumpur market)	26.48r	+0.19
Tin (New York)	465.5c	+1.0
Zinc (US Prime Western)	80⅜c	
Cattle (live weight)†	119.06p	
Sheep (dead weight)†	173.11p	
Pigs (live weight)†	84.89p	
London daily sugar (raw)	$340.0x	+3.4
London daily sugar (white)	$431.0x	+8.0
Tate and Lyle export price	£334.0	+3.0
Barley (English feed)	£105.5w	
Maize (US No. 3 yellow)	£131.5	
Wheat (US Dark Northern)	£133u	+0.5
Rubber (spot)♥	60.00p	-0.50
Rubber (Aug)♥	64.75p	-0.50
Rubber (Sep)♥	65.50p	-0.50
Rubber (KL RSS No 1 Jul)	258.0m	+1.5
Coconut oil (Philippines)§	$560x	-2.5
Palm Oil (Malaysian)§	$375	-5
Copra (Philippines)§	$355	
Soyabeans (US)	$202	-5
Cotton "A" index	80.5c	+0.1
Wooltops (64s Super)	624p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Jul. u-Jun/Jul. x-Jul/Aug. w-Aug. z-Aug/Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Jul	830	833	830	824
Sep	862	856	856	845
Dec	907	910	913	903
Mar	898	898	900	891
May	907	906	908	900
Jul	921	916	920	916

Turnover:2809 (5764) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 27 1048.66 (1035.88) :10 day average for Jun 28 1010.56 (1016.43)

COFFEE £/tonne

	Close	Previous	High/Low	
Jul	1020	1066	1050	1020
Sep	1000	1043	1021	996
Nov	997	1036	1020	990
Jan	1010	1046	1025	1000
Mar	1022	1061	1031	1013
May	1032	1078	1045	1020
Jul	1070		1055	1050

Turnover:5560 (5321) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 26: Comp. daily 97.57 (101.62) . 15 day average 104.61 (105.77)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	306.00	305.00	306.60	301.40
Oct	306.60	306.00	306.80	301.00
Dec	287.00	285.20	283.00	
Mar	289.20	287.40	288.40	285.00
May	287.00	284.40	288.20	284.40
White	**Close**	**Previous**	**High/Low**	
Aug	427.00	418.00	427.56	417.00
Oct	377.00	373.50	377.00	372.00
Dec	365.50	363.50	363.50	362.50
Mar	351.50	349.00	351.50	347.00

Turnover: Raw 3297 (4931)lots of 50 tonnes. White 735 (1341).
Paris- White (FFr per tonne): Aug 2830 Oct 2485, Dec 3410, Mar 2340, May 2335, Aug 2340, Oct 2210.

CRUDE OIL $/barrel

	Close	Previous	High/Low	
Aug	17.47	17.30	17.55	17.36
Sep	17.16	17.10	17.24	17.04
Oct	16.97	16.87	16.97	16.96
IPE Index	17.41	17.28		

Turnover: 9144 (5679)

GAS OIL $/tonne

	Close	Previous	High/Low	
Jul	144.25	144.25	144.75	142.50
Aug	144.75	144.50	145.00	142.50
Sep	146.00	145.25	146.00	143.75
Oct	147.75	147.00	147.75	145.60
Nov	149.25	146.50	149.25	147.25
Dec	149.50	149.50	150.00	148.25

Turnover 5501 (5635)lots of 100 tonnes

JUTE
July/August c and f Dundee BTC $550, BWC no offers, BTD $490, BWD $490; c and I Antwerp BTC $520, BWC $510, BWD $460, BTD $460.

COTTON
Spot and shipment for the week ended June 23 amounted to 538 tonnes against 255 tonnes in the previous week. Slow trading occured with interest in Israeli, American, west African and Pakistan growths.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Ring turnover 11,050 tonne	
Cash	1850-5	1863-5	1855/1860	1851-2		
3 months	1827-30	1833-5	1835/1825	1825-6	1828-7	23,151 lots
Copper, Grade A (£ per tonne)					Ring turnover 22,750 tonne	
Cash	1596-7	1630-2	1607	1607-8		
3 months	1580-1	1617-8	1611/1578	1592-3	1582-3	75,202 lots
Lead (£ per tonne)					Ring turnover 11,275 tonne	
Cash	424-6	436-8	434/433	433-3.5		
3 months	406-7	412-3	414/407	412-3	406-9	6,537 lots
Nickel ($ per tonne)					Ring turnover 2,348 tonne	
Cash	12100-50	11860-950	11900	11900-50		
3 months	11200-50	11150-250	11250/11050	11050-100	11200-300	6,810 lots
Tin ($ per tonne)					Ring turnover 200 tonne	
July 3	10060-70	10060-90		10100-50		
3 months	9980-10000	9990-1000	10025/10000	10025-60	10010-20	1,986 lots
Zinc, Special High Grade ($ per tonne)					Ring turnover 8,325 tonne	
Cash	1720-30	1740-5	1730	1740-5		
3 months	1585-8	1585-90	1630/1580	1610-20	1585-90	10,871 lots
Zinc ($ per tonne)					Ring turnover 9,800 tonne	
Cash	1590-600	1585-95	1620	1615-20		
3 months	1510-20	1505-10	1540/1500	1520-3	1490-500	9,264 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	117.0	105.0	115.0	110.0
Feb	132.0	120.0	123.0	192.0
Apr	101.9	174.0	193.0	185.0
May	210.0	193.0	212.0	204.5

Turnover 801 (1091) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Oct	151.50		151.50

Turnover 25 (56)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Jun	1396	1391	1390	
Jul	1366	1345	1370	1355
Oct	1501	1480	1505	1500
Jan	1542	1530	1546	1535
Apr	1580	1553	1572	1565
BFI	1391	1399		

Turnover 190 (116)

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Sep	105.35	106.25	105.75	
Nov	108.80	109.15	109.15	108.85
Jan	112.70	113.10	113.15	112.65
Mar	115.70	116.20	116.30	115.70
May	119.25	119.75	119.25	
Jun	121.00		121.00	
Barley	**Close**	**Previous**	**High/Low**	
Sep	104.40	104.30	104.30	
Nov	108.20	108.10	108.05	108.00
Jan	111.50	111.30		
Mar	114.35	114.30		
May	116.25	116.30		

Turnover: Wheat 191 (155) , Barley 25 (10). Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	113.5	114.0	
Aug	110.5	111.0	
Oct	115.0	115.0	115.0
Nov	116.0	116.0	
Feb	109.0	109.0	

Turnover 5 (10) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	375¾-376¼	240-240½
Opening	374¼-374¾	241¾-242¼
Morning fix	373.55	241.187
Afternoon fix	376.25	240.032
Day's high	377-377½	
Day's low	373½-374	

Coins	$ price	£ equivalent
Mapleleaf	387-392	247-250
Britannia	387-392	247-250
US Eagle	387-392	247-250
Angel	384-389	245-248
Krugerrand	375-378	239½-241½
New Sov.	87½-88½	55¾-56½
Old Sov.	87½-88½	55¾-56½
Noble Plat	$12.45-520.60	327.75-332.95

Silver fix	p/fine oz	US cts equiv
Spot	339.60	528.75
3 months	351.40	541.25
6 months	363.55	553.35
12 months	387.10	577.00

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1800	64	93	14	62
1900	15	50	65	117
2000	2	24	151	189
Copper (Grade A)	**Calls**		**Puts**	
2400	108	154	12	101
2500	44	107	48	152
2600	12	71	115	215

LONDON FOX TRADED OPTIONS

Coffee	Sep	Nov	Sep	Nov
1000	66	61	70	65
1050	47	43	89	97
1100	32	32	134	136
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
800	63		12	
850	32	89	31	32
900	14	61	63	54

US MARKETS

IN THE METALS, sideways action was seen as local traders dominated the markets, reports Drexel Burnham Lambert. A steady dollar helped keep prices intact. In the softs, light commission house and local short covering firmed up early weakness in the sugar. Coffee trading continued to reflect the pessimism about the ICO ability to control prices. Cocoa remained higher from fund and commission house activity. The grains were higher as dry weather prompted buying in all markets. Wheat futures posted the biggest advance gaining 10½, basis July, as Soviet tender activity is still providing support. Livestocks all closed lower led by belly and hog futures. The lower cash market and large slaughter weighed down prices. Carryover selling forced cattle prices down. The energy complex advanced from continued technical buying. Cotton trading featured price consolidation as the market swayed around unchanged levels.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	376.6	375.1	377.6	376.0
Jul	577.6	376.1	0	0
Aug	379.8	378.3	381.8	375.1
Oct	383.9	382.4	385.0	382.2
Dec	388.1	386.6	390.0	386.0
Feb	392.2	390.7	393.0	392.4
Apr	396.4	394.9	0	0
Jun	400.6	399.1	0	0
Aug	404.8	403.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	514.4	512.1	516.5	509.0
Oct	017.1	514.8	519.5	511.6
Jan	518.6	516.3	520.0	514.0
Apr	522.1	519.8	520.0	520.0
Jul	526.8	523.5	523.7	523.7

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	530.6	530.6	532.0	532.0
Jul	531.0	531.8	535.0	528.0
Aug	535.6	535.5	0	0
Sep	540.4	540.5	544.9	537.0
Dec	553.3	553.5	557.0	550.0
Jan	558.8	557.0	0	0
Mar	565.1	565.4	569.0	564.0
May	573.5	573.9	575.0	575.0
Jul	582.0	582.6	0	0
Sep	590.7	591.4	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
June 26	June 23	mnth ago	yr ago
2023.2	2027.9	2017.6	1993.6

DOW JONES (Base: Dec. 31 1974 = 100)				
Spot	132.58	133.65	132.55	141.57
Futures	131.38	132.65	132.38	144.57

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	107.10	107.65	107.20	107.00
Jul	107.20	107.65	108.50	106.60
Aug	106.50	107.35	0	0
Sep	106.00	106.60	106.90	105.50
Dec	103.00	103.20	104.00	102.90

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Aug	20.58	20.25	20.54	20.09
Sep	19.64	19.42	19.64	19.24
Oct	19.00	18.87	19.00	18.70
Nov	18.60	18.51	18.60	18.37
Jan	18.00	18.05	18.00	17.91
Feb	17.90	17.91	17.90	17.80
Apr	17.70	17.73	17.75	17.60
May	17.60	17.66	17.68	17.50

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	5035	4965	5035	4906
Aug	5075	5012	5080	4945
Oct	5195	0147	5195	5085
Nov	5260	5214	5260	0151
Dec	5315	5281	5320	5225
Jan	5315	5296	5310	5240
Feb	5200	5226	5226	5156
Mar	5056	5066	5056	5056

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1224	1220	1229	1215
Sep	1257	1240	1260	1238
Dec	1290	1270	1292	1268
Mar	1299	1275	1300	1275
May	1309	1280	1312	1290
Jul	1322	1290	1298	1298
Sep	1350	1311	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	111.50	111.00	112.00	110.95
Sep	106.39	105.91	106.50	104.75
Dec	103.61	103.49	104.25	102.40
Mar	105.00	105.43	106.80	104.25
May	107.00	106.00	106.50	105.25
Jul	107.10	109.50	0	0
Sep	107.50	105.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	13.70	13.69	13.75	13.62
Oct	13.74	13.69	13.80	12.55
Jan	12.90	12.80	12.70	12.56
Mar	12.98	12.83	13.00	12.77
May	12.90	12.73	12.90	12.68
Jul	12.75	12.60	12.75	12.65
Oct	12.54	12.30	12.54	12.40

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	67.20	67.20	67.50	66.50
Oct	70.08	70.15	70.70	69.66
Dec	70.46	70.40	70.85	69.90
Mar	71.15	71.10	71.65	70.85
May	71.95	71.91	72.20	71.50
Jul	71.65	71.93	71.65	71.65

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	181.75	186.00	187.00	180.70
Sep	174.75	173.55	178.00	173.25
Nov	161.60	162.85	164.50	161.00
Jan	155.10	157.25	157.50	154.90
Mar	154.50	156.50	154.25	154.25
May	153.90	155.80	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	738/4	731/0	740/0	725/4
Aug	706/0	696/0	706/4	696/0
Sep	663/2	652/0	663/4	648/0
Nov	646/0	633/4	647/0	632/0
Jan	658/6	641/4	654/4	641/4
Mar	661/0	649/4	661/0	649/4
May	667/0	654/4	667/0	654/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	20.47	20.44	20.52	20.36
Aug	20.64	20.66	20.72	20.58
Sep	20.81	20.80	20.85	20.70
Oct	21.03	20.89	21.05	20.88
Dec	21.29	21.16	21.32	21.05
Jan	21.35	21.20	21.35	21.25
Mar	21.62	21.45	21.65	21.50
May	21.70	21.57	21.65	21.75

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	217.4	217.3	218.0	215.4
Aug	209.6	206.7	210.2	207.5
Sep	203.2	200.7	203.0	200.0
Oct	196.0	192.2	195.0	192.0
Dec	193.6	189.7	193.7	189.5
Jan	192.0	186.0	192.0	189.0
Mar	191.5	188.0	191.5	188.5
May	190.0	187.2	190.0	186.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	262/6	257/6	263/2	258/6
Sep	248/0	244/2	248/2	244/6
Dec	244/2	240/4	244/4	240/6
Mar	250/4	246/6	250/6	247/0
May	252/2	248/2	253/0	249/2
Jul	252/2	248/2	253/2	249/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	412/4	401/6	413/0	403/0
Sep	411/2	404/0	413/0	404/4
Dec	420/2	415/2	421/0	416/0
Mar	420/2	415/4	421/0	417/4
May	406/4	404/0	406/4	404/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	70.57	70.80	70.60	70.17
Sep	71.50	71.50	0	0
Oct	73.37	73.30	73.40	72.96
Dec	72.70	72.97	72.95	72.45
Feb	71.70	72.02	72.02	71.40
Apr	72.30	72.52	72.50	72.07
Jun	71.10	71.45	71.27	70.90

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	49.10	49.97	49.65	49.00
Aug	48.30	48.95	48.55	48.10
Oct	44.02	44.85	44.30	43.85
Dec	46.12	46.60	46.45	45.92
Feb	47.12	47.55	47.45	46.85
Apr	44.15	44.35	44.30	44.05
Jun	48.17	48.37	48.30	48.02

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	34.75	35.55	35.20	34.10
Aug	34.95	35.65	35.35	34.25
Feb	52.00	51.75	52.20	50.50
Mar	51.50	51.00	52.05	50.90
Jul	52.60	52.20	52.50	0
Aug	50.50	50.50	0	0

LONDON STOCK EXCHANGE

Trade figures bring post-Crash peak

Account Dealing Dates			
First Dealings*	Jun 19	Jul 3	Jul 17
Option Declarations	Jun 29	Jul 13	Jul 27
Last Dealings	Jun 30	Jul 14	Jul 28
Account Day	Jul 10	Jul 24	Aug 7

*New time dealings may take place from 9.00 am two business days earlier.

UNEXPECTEDLY good news on the UK trade deficit, reflected in a sharp recovery in sterling, widespread gains in Government bond prices, and a fall in London money market rates, sent the UK equity market racing ahead to a new post-Crash closing peak yesterday. Share traders and analysts alike were caught out by the announcement that the UK current account deficit had narrowed to £1.32bn in May and equities swung round from early losses to advance strongly as share trading positions were badly squeezed.

With Wall Street also in good form again, UK stocks closed near to the day's best levels, with Seaq trading volumes also higher as market makers scrambled for stock when the market moved highsr. Share trading books had been held in balance after some market analysts had begun to raise forecasts for the May trade deficit to around £2bn; the market was nearly six Footsie points down when the trade data announcement arrived.

At its final reading, the FT-SE Index showed s net gain of 26.8 at 2,206.4, comfortably above the 2,204.7 close on May 19, the previous closing peak since the equity market Crash of October 1987. At best yesterday, the Footsie Index touched 2,207.5, just short of the trading peak of 2,209.7 reached on May 22. Seaq volume of 498.2m shares against Monday's 336.8m.

The equity market was also cheered yesterday hy the rise in sterling against the German mark, which took the sterling exchange rate decisively above 90 on its trade-weighted index, a level considered sensitive for domestic interest rate policy.

Sentimant was also helped by the moves towards a compromise at the EC economic summit in Madrid. It was the trade figures which provided the main driving force, however, although some analysts stressed the need for caution.

"We need to see another month of good trade figures," said Mr Bill Smith of Prudential Bache, and at Chase Manhattan, Mr Neil Mackinnon suggested that the May figures may, "look better than they really are".

There were substantial gains in the blue chip leaders and in those sectors most vulnerable to interest rate worries as three month rates in London dipped below the 14 per cent mark. The clutch of special situation stocks which have featured the market recently were mostly sidelined as attention switched back to investment fundamentals.

Consolidated Gold Fields crept nearer to £15, the price which market analysts believe Hanson will agree to pay in order to bring to consummation its £3bn plus offer.

There was still a good deal of unease among tbe personal telephone stocks as the market assessed last week's Government statement on plans for increased competition.

FINANCIAL TIMES STOCK INDICES

	Jun 27	Jun 26	Jun 23	Jun 22	Jun 21	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	85.35	84.39	84.45	84.51	84.66	88.08	89.29 (6/1)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.01	95.62	95.54	95.80	95.89	97.61	99.50 (15/5)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1829.7	1809.3	1797.7	1809.3	1800.9	1477.4	1837.5 (19/5)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	192.6	196.7	192.8	193.2	184.7	210.7	196.7 (26/6)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Dl. Yield	4.36	4.41	4.44	4.41	4.43	4.49				
Earning Yld %(full)	10.26	10.39	10.46	10.39	10.44	11.52				
P/E Ratio(Net)(☆)	11.74	11.60	11.52	11.60	11.54	10.56				
SEAQ Bargains(5pm)	27,068	25,604	22,463	23,721	18,510	23,905				
Equity Turnover(£m)†	-	1297.08	1485.80	1722.9	1047.85	980.54				
Equity Bargains†	-	27,561	26,438	26,878	23,481	28,268				
Shares Traded (ml)†	-	452.0	511.8	525.8	311.7	440.1				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1807.0	1802.5	1803.3	1814.0	1818.9	1819.3	1822.2	1832.4

DAY'S HIGH 1832.9 DAY'S LOW 1802.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 11.63 †Excluding intra-market business.

S.E. ACTIVITY

Indices	Jun 26	Jun 23
Gilt Edged Bargains	96.0	82.8
Equity Bargains	173.6	184.3
Equity Value	2671.7	3003.2
5-Day average		
Gilt Edged Bargains	88.3	92.7
Equity Bargains	170.8	176.3
Equity Value	2701.6	2720.0

London Report and latest Share Index Tel. 0898 123001

Grandmet back in favour

After a period in the doldrums since the May interim figures, Grand Metropolitan returned to favour on the back of a number of brokers recommendations. Shares in the drinks and hotels group rose 8 to 562p on reasonable turnover with one broker reported bidding aggressively for stock in the market.

"They've been dull performers recently and today was their chance to catch up," said one trader, while others reported renewed overseas buying interest in the wake of recent international presentations.

The buy recommendations came from BZW, which continues to advise clients to switch into the GrandMet from leading brewers Bass and Whitbread, Kitcat & Aitken, and Citicorp Scrimgeour Vickers. Citicorp is confident that the eps target of 15 per cent growth this year and beyond can be achieved, and it is also bullish about the integration and/or disposal of the Pillsbury operations. "Pillsbury has substantially altered the profile of [CrandMet's] businesses, away from hard liquor towards food and retailing, which we would regard as a good move in terms of market sentiment in the long-term," says the US house.

Textile bid referred

The decision to refer the proposed Coats Viyella acquisition of Tootal to the Monopolies Commission was an unpleasant surprise for the market. The news introduced uncertainty and fears that other complications may arise before the investigation by the Commission is completed, and the shares fell 9¼ to 120¼p. Coats Viyella hardened to 158p.

Having cleared the hurdle of US anti-trust regulations only the day previously, the bulk of the loss represented the time value of money, said analysts. We are looking at a period of possibly five months before things get moving again, explained one. He remained of the opinion that the offer would be cleared by the commission.

Oil propectors

The prospect of the eleventh round of licences for North Sea exploration drew attention in the Oils towards exploration and production companies.

Analysts at Smith New Court rated Clyde Petroleum a "buy as a geared play" because of the company's good reputation for finding oil and the fact that it is small enough for a single discovery to add significantly to asset values. Clyde closed at 151¼p, a rise of 6½p on the day.

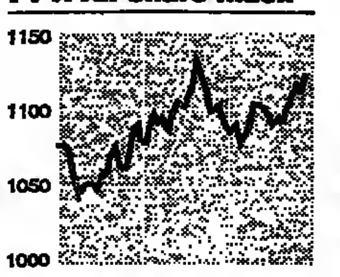
This morning, Mr Fergus Macleod, of BZW, publishes recommendations to buy not only Clyde but also Enterprise Oil (up 11 at 570p) and Premier (a shade ahead at 99¾p). "Acreage is an asset, so they will gain something for nothing from the Government," said Mr Macleod. There might also be an increase in corporate activity, he said, because potential stakebuilders have held back ahead of the decision. Mr Macleod is much less bullish on a fourth contender, Lasmo. Institutions will be tempted to take profits over 480p, he argued, because that is the effective price they paid for last summer's placing, if the recent rights issue is taken into account.

Unilever climbed 14 to in thin volume of less than 750,000 shares. Mr Richard Allan at Kleinwort Benson issued a recommendation to switch out of the Dutch-quoted NV stock into the plc. Currency changes have meant that the latter's discount to the former has now reached around 8 per cent. "It is the largest differential between the two stocks for nearly 3 years," said Mr Allan.

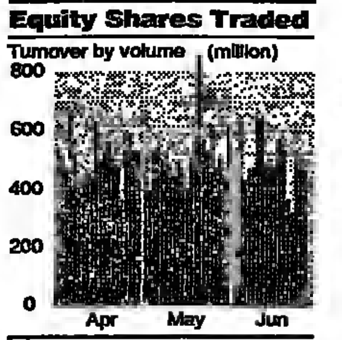
Mr John Campbell, who follows Unilever at Pru-Bache, pointed out that currency factors also helped Unilever's trading. Much of the profit is D-Mark related; at the current exchange rates we could be looking at a further £40m in profits, he said. He cautioned, however, that any such effects were largely sentiment because Unilever uses a calendar year-end exchange rate on its balance sheet.

Beecham benefited from confirmation of the eventual inclusion of SmithKline Beecham in the FTSE 100 index, thus making it essential buying for institutional investors and particularly index tracking funds. Beecham climbed 11 to 640p on good turnover of 2.6m shares, while SKBeecham jumped 25 to 546p. It clocked up 367,000 shares traded in the when-issued form — around 200 times the volume moved in the four business days since Seaq quotations began.

FT-A All-Share Index



Equity Shares Traded



Bank stocks enjoyed a good day, showing blne prices among the red before the better-than-expected trade figures. A general shortage of stock, and a positive note on the sector from Japanese honse Nomura helped prices close firmer. National Westminster were the best of the hunch, adding 9 at 301p on turnover of 2.3m shares; NatWest "offera the best combination of investment criteria of the big four," said Nomura.

Also benefiting from a Japanese commendation were Royal Bank of Scotland, up 5 at 380p. "Capital is strong and their strategic entry into investment banking and general insurance is demonstrably succesful," remarked Nomura. Of the other banks, Lloyds gained 8 at 350p, Barclays 6 at 459p and Midland 5 at 350p. TSB, due to report interims tomorrow, shrugged off its recent lethargic mood to close 2 higher at 111p.

Construction issues continued to trade irregularly with Tarmac rising 7 to 321p and J Mowlsm falling 5 to 403p. Recovery hopes again attracted buyers to Anglian Secured Homes, 9 firmer at 228p, while NSM rose 6 further to 120p.

Stores were mostly better with the market, leading some observers to speculate that the sector has bottomed out; "there hasn't been a seller of stores for two weeks now," said one trader. Among the leadera Kingfisher were squeezed 8 higher to 312p in light trade, Marks and Spencer rose 5 to 197p on busy turnover of 4.5m shares, while Boots added 5 301p.

Bid speculation again lifted Ward White, up 6 at 320p; turnover in Ward White in the past few days has topped the 2m-shares mark, and yesterday there were reports of sizeable trade "off the screen."

Sears were a lacklustre market, closing only a penny higher at 117p after County NatWest WoodMac lowered its profits estimates, by £6m to £241m for the present year and by £3m to £246m for the next. County blamed prohlems at Galliford Sears, the gronp's south-east house-building operation for the trimmed forecasts.

Dixons went against the trend, dropping 2¼ to 142p following a £5m downgrade to £75m from hroker James Capel for annual results due on July 12; the market is nervous ahead of what it expects will be a worrying set of figures, and there was a story doing the rounds that Dixons will be calling in City analysts one hy one when the results are announced.

There was busy trading GEC (7.5m shares) ahead of the preliminary results, dne today. Sector analysts have settled for profit projections of aronnd £780m pre-tax, and attention is fixed on the prospects for a further development on the GEC-Siemens hid for Plessey, which is expected to follow early next month. At 248p, GEC shares closed 2 off, against the trend of the market.

Institutions bought British Steel, arresting its steady decline since figures last week. It firmed a penny to 77p as 13m shares were traded.

United Biscuits were sought amid speculation of US and European stakebuilding, the shares rising 6 to 362p on turnover of 5m. Dealers said that a large huying order from Europe, possibly Switzerland, had been completed during the session.

The American story was that a holding has been built up hy Pepsico, the giant US drinks group. Pepsico, with its own Frito-Lay snack foods operation, wants to break into the lucrative European hiscuits market following its failure to win the race for the Nabisco biscuit businesses. While analysts agreed there is a potential fit between Pepsico and UB, the story was being treated with some caution.

Growing competition on the mobile phones front weakened Securicor, which owns 40 per cent of Cellnet. The "A" shares slumped 40 to 728p. The stock bad advanced strongly last month on the back of the high valued placed on cellular stock by US deals.

Beazer shed 3½ to 188p as Mr Khalid Nazir, analyst at Kleinwort Benson, trimmed his profit forecast for the current year by £3m to £128m. He pinpointed "a weakening of growth in the North Eastern United States to 3 per cent compared with my previous estimate of 5 per cent and Beazer's of 8 per cent." He added that the UK housing market if anything looks worse than a few months ago.

Among smaller stocks, Whessoe jumped 8 to 153p largely on the efforts of a single buyer in a thin market, and Aukett Associates firmed 3 to 133p after posting a 51 per cent rise in interim profits.

The recent profits warning continned to weigh on USM-quoted Creighton Laboratories, down another 20 at 270p.

European Leisure firmed 3½ to 101p on news of nightclub acquisitions in London and Paris. They included London's Hippodrome, formerly Talk of the Town, bought for £7m.

Hopes that Caparo Industries would use its increased stake of 29.6 per cent in Armstrong Equipment as a platform for a full bid excited AE shares which closed 10 np at 173p. Lucas Industries went with the trend, gaining 10 to 665p, but Dowty were none too sure ahead of tomorrow's annual results and ended slightly easier at 280p. Ex the rights issue, Plaxton resumed trading settled at 240p with the new nil-paid shares at 20p premium.

Charles Barker stormed higher to 116p, up 13, as investors began to scent bid possibilities. Two stories went the ronnds, the first being thst WPP, rumoured last year to be a bidder, was showing interest again. The second story claimed that VPI was also a predator.

Jefferson Smurfit responded to the £58m Colombian acquisition by rising 10 to 383p hut Shandwick slipped 6 to 133p after news that 4.2m new shares would be placed to fund domestic and overseas expansion.

Chartered surveyors Debenham Tewson & Chinnocks jumped 9 to 155p after reporting a 67 per cent improvement in annual profits to nearly £9m. Other features in the Property sector included Rosehaugh, up 13 at 628p, and Frogmore Estates, where the attentions of one large huyer helped the shares edd 9 at 532p.

Ocean Transport advanced as talk resnrfaced that major shareholder Sir Ron Brierley, unsuccessful some years ago with a hid, was ready to mount another offer. At tbe close Ocean Transport shares were at a peak 346p, up 9.

Revived investment demand sent Courtaulds to the best level this year of 350p, up 4. Dawson International, 4 firmer at 219p, also found support as analysts telephoned good news from the US where they are currently touring the group's operations.

Inchcape, holder of the franchise for Toyota cars in the UK and several other European countries, prospered on reports that Japan's biggest car manufacturer had chosen Shotton in Wales for the location for a European car engine factory which will feed the passenger car assembly plant being built in Derby. Inchcape shares gained 5 more to 265p.

Suggestions that Kuwait might soften its stance on production quotas underpinned crude prices and buoyed the oil majors. BP was one of the most heavily traded stocks as US buying pushed turnover to 13m shares and the price added 4 at 300p.

□ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 22

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	7,500	183	+2	Cookson	2,100	345	+12	Laporte	773	441	-1	Royal Bank Scotland	642	380	+5
Allied-Lyons	2,100	457	+7	Courtaulds	495	350	+4	Legal & General	1,500	317	-3	[illegible]	[illegible]	[illegible]	[illegible]
Amstrad	1,500	81	-1	Dalgety	219	356	-4	Lloyds Bank	1,100	350	+8	[illegible]	[illegible]	[illegible]	[illegible]
Argyll Group	3,800	213	-1	Dixons	4,500	142	-2¼	LASMO	550	418	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ass. Brit. Foods	910	372	-1	Eng. China Clays	543	487		Lonrho	1,300	275	-1	[illegible]	[illegible]	[illegible]	[illegible]
BAA	2,500	344	+5	Enterprise Oil	336	570	+11	Lucas	993	665	+10	[illegible]	[illegible]	[illegible]	[illegible]
BAT Inds.	3,800	655	+4	FKI Babcock	329	169	-1	MB Group	3,100	193	-6	Sears	[illegible]	117	+1
BET	1,700	293	+8	Fisons	2,000	300	+7	MEPC	540	564	-2	[illegible]	[illegible]	[illegible]	[illegible]
BICC	1,800	515	+6	Gateway Corp.	3,508	236½	-1	Marks & Spencer	4,500	197	+5	[illegible]	[illegible]	[illegible]	[illegible]
BOC	2,200	509	+12	General Accident	159	948	+5	Maxwell Comm.	1,100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BPB Inds.	3,450	232	-2	General Elec.	1,580	248	-2	Midland Bank	422	350	+5	[illegible]	[illegible]	[illegible]	[illegible]
BTR	1,600	394	+6	Glaxo	1,030	1435	+10	Nat. West. Bank	3,200	301	+9	[illegible]	[illegible]	[illegible]	[illegible]
Barclays	3,500	459	+6	Globe Inv.	376	[illegible]	[illegible]	Next	1,900	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bass	1,100	1014	+4	Glynwed Int.	291	293	+1	Northern Foods	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Beecham	2,500	640	+11	Granada	315	341½	+1½	Pearl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blue Circle	1,900	519	+1	Grand Met.	1,830	562	+8	Pearson	451	719	-1	[illegible]	[illegible]	[illegible]	[illegible]
Boots	1,700	301	+5	GUS A	445	1059	+13	P & O	799	647	+12	[illegible]	[illegible]	[illegible]	[illegible]
Brit. & Comm.	5,183	155½	+1½	GRE	2,600	[illegible]	+7	Pilkington	2,100	234	+4	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Aerospace	1,600	603	+8	GKN	1,400	402	-2	Plessey	2,100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Airways	559	210	+2	Guinness	4,600	525	+7	Polly Peck Intl.	1,400	[illegible]	-5	[illegible]	[illegible]	[illegible]	[illegible]
British Gas	11,000	193	+2½	Hammerson "A"	468	868	+4	Prudential	1,500	175	-1	Thorn EMI	[illegible]	[illegible]	[illegible]
British Land	840	363	+3	Hanson	6,900	216½	+2	RMC	225	459	-1	[illegible]	[illegible]	[illegible]	[illegible]
BP	13,000	300	+4	Harrisons & Cros.	257	167		[illegible]	129	[illegible]	+4	[illegible]	[illegible]	[illegible]	[illegible]
British Steel	13,000	76½	+½	Hawker Siddeley	442	712	-6	RTZ	1,300	500	-1	[illegible]	[illegible]	[illegible]	[illegible]
British Telecom	2,250	273	+5½	Hillsdown Hldgs	2,000	271	-1	Racal	[illegible]	[illegible]	[illegible]	Unilever	[illegible]	[illegible]	[illegible]
Burmah Oil	472	615½	+9½	[illegible]	372	232	+3	Rank Org.	249	998	+20	[illegible]	[illegible]	[illegible]	[illegible]
Burton	2,050	220	+2	Imp. Chem.	2,300	1325	+10	Reckitt & Colman	199	1123	-3	United Biscuits	[illegible]	362	+6
Cable & Wireless	3,300	515	+11	Inchcape	299	265	+5	Redland	814	556	+2	[illegible]	[illegible]	[illegible]	[illegible]
Cadbury Schweppes	1,500	363		Jaguar	640	795	-3	Reed International	3,700	425	+5	[illegible]	[illegible]	[illegible]	[illegible]
Carlton Comms.	630	846	+4	Kingfisher	993	312	+8	Reuters	565	821	-2	[illegible]	[illegible]	[illegible]	[illegible]
Commercial Union	1,000	379	+7	Ladbroke	489	580	+1	Rolls Royce	2,700	196½	+2½	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold Fields	1,280	1470	+9	Land Securities	1,300	565	+4	Rothmans	585	572	+13	[illegible]	[illegible]	[illegible]	[illegible]

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (125). BRITISH FUNDS (4) AMERICANS (4) BANKS (1) Scroders NV, BREWERS (4) BUILDINGS (1) NSM, CHEMICALS (5) Allied Colloids, Canning (W.), Ellis & Everard, Imp. Chem., Novo Inds. "B", Perstorp "B", STORES (6) In Shops, Ratners, Do. Cv. Pf., Smith (W.H.) "A", Ward White, Do. Cv. Pf., ELECTRICALS (6) Blick, Ericsson (L.M.), Microtec Grp., Pelon, Ren Data, Thorn EMI, Do. 7pc Pf. '93-98, ENGINEERING (2) FOODS (3) HOTELS (1) INDUSTRIALS (27) Aukett Assocs., B.H. Props., Barry Wehmiller, BBMEC, British Vita, Cape Inds., Capita Grp., Channel Express, Economic Forestry, Grafton Grp., Halma, Handley-Walker, Hanson, Do. 10pc Cv. Ln., Do. 5.75pc Cv. Pf., Hunting Assoc., ISA Int'l., RCO, RPS Grp., Rank Org., Ropner, Do. "A", S.E.P. Int'l., Scapa grp., St. Gobain, Unilever, INSURANCE (2) Britannic, Trade Indemnity, LEISURE (1) MOTORS (2) Armstrong Equipment, Lucas, NEWSPAPERS (1) Independent, PAPERS (2) Barker (C.), Jarvis Porter, Yellowhammer, PROPERTY (4) SHIPPING (2) SOUTH AFRICANS (2) TEXTILES (2) Courtaulds, Hicking Pentecost, TOBACCOS (1) TRUSTS (20) OILS (7) MINES (3) THIRD MARKET (2).

NEW LOWS (45). AMERICANS (1) CANADIANS (2) BANKS (1) Standard Chartered, BUILDINGS (5) Bellwinch, Bryant Grp., Carron Phoenix, Marley, Wilson (Connolly), CHEMICALS (1) STORES (1) INDUSTRIALS (11) Aaronson Bros., CMB Pack. New, Creighton Labs., Halls Homes & Gdns., Lincat Grp., Metal Closures, Myson Grp., Spandex, Suter, Tribble Harris, Worcester, PAPERS (2) Waddington (J.), Whmy. Mackay-Lewis, PROPERTY (5) TEXTILES (3) Mackay Hugh, Richards, Tootal, TRUSTS (8) OILS (2) MINES (2).

APPOINTMENTS

Charterhouse Bank managing directors

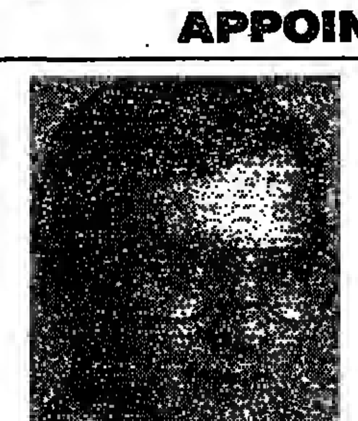
■ CHARTERHOUSE BANK has made the following senior appointments: Mr Richard Kilsby, a managing director, becomes a senior managing director with responsibility for capital markets, treasury, banking operations, and information services within the bank.

Mr Ian Beith has been appointed a managing director with responsibility for asset management, encompassing corporate banking services and property services. He was previously a director-corporate banking services, having joined from Citibank in December 1988.

Following the recent appointment of Mr Michael Gatenby as a vice chairman, Mr Alistair Muirhead and Mr Howard Rix have been appointed managing directors.

Mr Muirhead has been given responsibility for all domestic corporate finance activities of Charterhouse. He was previously a director-corporate finance.

Mr Rix has responsibility for all international corporate finance activities and the international development of the bank's activities in conjunction with other Charterhouse divisions. He was previously a director-corporate finance.



Mr David Tyler (above) becomes group finance director of CHRISTIES INTERNATIONAL on July 3. He joins from County NatWest where he was on the board with responsibility for financial control and treasury matters.

■ PINPOINT ANALYSIS has appointed Mr Alan Newman as managing director from July 1. He is group development director of MAI.

■ PARKFIELD GROUP has appointed Mr Paul Feldman to the board. He continues as chief executive of Parkfield Entertainment.

■ Mr R.M. Jacobs has been appointed managing director of WILLIAM STEWARD (HOLDINGS). He was finance director. Mr R.L. Burberry has been appointed manufacturing director. He is managing director of Durham Switchgear, a wholly-owned subsidiary.

■ Mr Tony Barnes has been appointed managing director of PIONEER MUTUAL INSURANCE CO. He succeeds Mr Geoffrey White who has resigned to become chief executive of Sibec Developments. Mr Harry Clarke will become chairman from January 1, when Professor G. Clayton stands down and resumes as a non-executive director.

■ Mr Peter Fryer has been named purchasing director of RYDER TRUCK RENTAL. He was managing director of George Hopton & Co, a Mallinson Denny Group company.

■ THE ALL ENGLAND LAWN TENNIS CLUB has appointed Mr Ian Edwards as its television marketing director. He has spent the last two years as head of sport for the BBC in Manchester.

■ EURO CELLULAR, a new Pan European consortium, has appointed Mr John Clisby as sales and marketing director. He was sales director of Air Call Cellular.

■ KENNING TYRE SERVICES has made the following appointments. Mr Nsil Reece-Evans joins the company as human resources director from the ICL computer group. Mr John Lee has become commercial director. He was formerly with Comet.

■ LLOYDS BRITISH TESTING (UK) has appointed Mr John Evans as operations director-south. He was general manager.

■ THE PLESSEY COMPANY is appointing Mr Barry Flower as managing director-international defence on July 1. He is president of Leigh Instruments in Canada, the Ottawa-based defence contractor acquired by Plessey in March 1988.

■ CLYDESDALE RETAIL, the Scottish electrical retailer, has appointed Mr Stephen Martin as its commercial director. He was marketing director at Visionhire.

■ Mr Clive Badcock, credit and risk director, has been appointed a managing director of MIDLAND MONTAGU and head of corporate banking fromn July 1. He succeeds Mr David Potter, who is leaving to pursue other business interests. Mr Potter will remain a consultant and a non-executive director of the Thomas Cook Group.

■ ENTERTAINMENT UK, the Kingfisher-owned music and video supplier, has appointed Mr Stephen Deasey as finance director. He joins from K-Tel International (UK) where over the last ten years he held a number of financial positions before becoming managing director.

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AUTHORISED UNIT TRUSTS

Midland Unit Trusts Ltd (1200)F
192 Eyre Street, Sheffield, S1 3RD 0742 [illegible]

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
British Tst	5	57.93	58.26	62.31	+0.19	2.22
(Accum Units)	6	58.87	59.20	63.32	+0.19	2.22
Capital	5	121.8	121.8	130.3	-0.4	1.94
(Accum Units)	6	174.4	174.4	186.5	-0.8	1.94
European Growth	6	130.1	130.1xd	138.5	-0.8	0.39
(Accum Units)	6	160.1	160.2	170.5	-0.9	0.39
Extra High Inc	6	71.15	72.13	77.34	-0.17	6.35
(Accum Units)	6	96.03	97.33	104.1	-0.1	6.35
Gilt & Fxd Int.	4	50.50	50.50xd	52.71	+0.41	8.85
(Accum Units)	4	101.3	101.4	105.7	+0.8	8.85
High Yield	5	205.9	208.1	222.6	-0.2	4.90
(Accum Units)	6	396.2	401.2	429.1	-0.3	4.90
Income	6	243.6	246.2	263.3	-0.4	3.43
(Accum Units)	6	433.0	437.8	468.2	-0.6	3.43
Intl High St UT	6	56.88	55.89	59.78	-0.17	1.57
(Accum Units)	6	57.40	57.61	61.62	-0.18	1.57
Japan Growth	6	384.3	384.5	411.1	-4.1	0.00
(Accum Units)	6	403.9	404.0	432.1	-4.4	0.00
Mandarin Tst	6	56.14	56.17	60.07	+0.07	0.78
(Accum Units)	5	56.60	56.62	60.56	+0.07	0.78
Mngd P'folio Acc	6	70.91	71.58	76.56	-0.25	1.60
Money Market UT	4	40.27	49.27	51.24	+0.01	10.79
North American	6	126.5	128.0xd	136.9	-0.4	0.39
(Accum Units)	6	156.0	158.0	169.0	-0.9	0.39
Smaller Cos	5	185.1	185.1	198.0	-0.9	1.28
(Accum Units)	6	205.2	208.3	219.6	-0.9	1.28
Meridian Income	6	107.5	108.5xd	116.0	-0.2	3.77
(Accum Units)	5	111.6	112.6	120.2	-0.2	3.71
Meridian Growth	6	118.3	118.9	127.2	-0.2	1.47
Midland Personal Pension Unit Trust						
British	6	58.48	59.15	62.90	+0.19	2.22
European Growth	6	59.34	59.42	63.21	-0.33	0.39
Gilt & Fixed	6	49.61	49.61	52.78	+0.41	8.99
Income	6	54.40	55.26	58.79	-0.07	3.50
Japan Growth	6	56.33	56.65	60.27	-0.60	0.00
Managed	6	55.81	56.64	60.26	-0.19	1.61
Money Market	6	52.51	52.51	55.68	+0.01	10.76
North American	6	59.06	60.16	64.00	-0.19	0.40
Midland PSAVCS Unit Trust						
British	5	58.45	58.86	59.64	+0.18	2.22
European Growth	6	57.93	58.01	61.71	-0.32	0.39
Gilt & Fixed Int	6	39.15	40.13	42.27	+0.40	8.65
Income	6	55.49	56.37	59.97	-0.07	3.50
Japan Growth	6	58.60	58.91	62.67	-0.62	0.00
Managed	6	55.12	55.95	59.52	-0.19	1.61
Money Market	6	50.85	50.85	53.89		10.77
North American	6	59.40	60.52	64.38	-0.20	0.40

Phillips & Drew Unit Managers Ltd
14 Finsbury Square, London EC2A 1PD 01-628 6070

Charities Fxd Int		97.7	97.7	97.7		9.8
Charities Intl Uld		99.51	99.51	99.69		2.2
UK Exempt		105.5	105.3	107.1		4.3
Charities Intl		108.2	108.2	109.2		2.6

Prolific Unit Tst Mngrs Ltd (1200)H
222 Bishopsgate, London EC2 01-247 7544/7

American Income	5	65.85	66.42	70.74	-0.55	5.80
Cons & Gilt	5	128.0	128.0xd	136.6	-0.2	8.28
Euro Gwth & Inc	5	52.52	52.52	56.17	-0.02	2.05
Extra Income	5	139.0	140.0xd	149.6	-0.3	4.91
Far East	5	249.3	249.4	265.1	-2.5	0.01
High Income	5	90.22	90.22	96.38	-0.28	4.09
International	5	147.9	147.9	157.5	-1.2	0.82
Nth American	5	155.5	155.5	165.9	-1.8	0.01
Pref & Fxd Int.	5	47.14	47.14	50.14	-0.06	9.40
Special Sits	5	110.7	111.4xd	119.2	-0.1	0.51
Technology	5	143.8	143.8xd	153.4	-0.6	0.53

Providence Capital Fd Mgrs Ltd (1000)H
30 Uxbridge Road, London W12 8PG 01-749 9111

Worldwide Inc	5	98.67	98.67	105.3	-0.2	0.29
Worldwide Acc	5	102.80	102.80	109.70	-0.2	0.29
UK Equity Inc	5	75.13	75.13xd	85.93	-0.12	3.10
UK Equity Acc	5	82.64	82.64xd	89.01	-0.14	3.10
European Inv	5	117.50	117.50xd	125.70	-0.3	0.55
European Acc	5	121.70	121.70xd	130.10	-0.4	0.55
Nth American Inc	5	66.53	66.55	70.70		1.42
Nth American Acc	5	68.99	68.99	73.91	-0.01	1.42
Japan Inc	5	117.90	117.90	126.10	-0.9	0.00
Japan Acc	5	118.10	118.1	126.30	-0.9	0.00
UK High Inc Eq Inc	5	72.04	72.04	77.82	-0.05	5.20
UK High Inc Eq Acc	5	80.02	80.02	86.44	-0.06	5.00
Hong Kong Inc	5	35.82	35.81	38.19	-0.58	3.50
Hong Kong Acc	5	37.06	37.06	39.52	-0.59	3.50
Swiss Equities Inc	5	38.33	38.33	41.04	-0.46	1.16
Swiss Equities Acc	5	38.66	38.66	41.39	-0.47	1.16
W'wide Bond Inc	5	53.27	53.27	56.29	+0.09	5.76
W'wide Bond Acc	5	55.00	55.00	58.08	+0.09	5.76
Emerging Asia Inc	5	81.65	81.65	87.52	+0.66	0.00
Emerging Asia Acc	5	81.65	81.65	87.52	+0.66	0.00

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6AR 01-588 3963

PM Equity Gth	5	121.4	123.6	131.4	-0.2	2.63
PM Income & Gth	5	104.1	106.2	112.9	+0.2	4.44
PM Nth Amer Gth	5	56.49	56.49	60.09	-0.2	1.35
PM European Gth	5	58.22	58.22	61.93	-0.14	0.72
PM Japan Gth	5	79.20	79.38	84.44	-1.38	0.29
PM Overseas Gth	5	54.02	54.02	57.46	-0.58	0.46

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♦ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers.
[illegible]

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Capital & Equity	5	62 67	65 67	69 86	-7 11	6 80
European	5	68 85	69 23	73 64	-0 41	0 00
Far Eastern	5	60 94	61 12	65 02	-0 17	0 68
Growth Inc	5	88 72	92.09	97 96	-0 49	1 41
Growth Acc	5	88 72	92 09	97 96	-0 49	1.41
Income Inc	5	83 93	85.96	91.45	-0 53	4 68
Income Acc	5	83 93	85 96	91 45	-0 53	4 68
Property Share	5	54 95	54 95	58 58	+0 22	0 99
Smaller Co's	5	59 11	62 51	66.50	-0 16	1.44
Nth American	5	64 84	64 84	69 34	-0 37	1 54
International	5	48 31	48 37	51 73	-0 02	1 44
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	112.30	112.30	117.36	-1 49	4 05
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	63 06	65 51	69 76	-0 07	2 61
YUTM Hi Yield Inc	5¼	60 40	62 54	66 53	-0.16	4.59
YUTM Intl Grwth Tst	5¼	51 84	51 09	55 30	-0.30	98

OTHER UK UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd						
Int'l Exgt June 7			485 3	503 6		-
Cent. Bd. of Fin. of Church of England						
2 Fore Street, London EC2Y 5AQ 01-588 1815						
Inv Fund May 31			515 45			4 75
Fxd Int Sec May 31			139 45			10 25
Deposit May 31			100 00			12 45
Charinco/Charishares (1000)F						
33 King William Street, EC4R 9AS 01-280 2800						

Albany Life Assurance Co Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Pat Basin Fd Acc	170 8	179 5	-0 4	-
Property	564 6	594 3	+1.3	-
Multiple Inv Pens Acc	1443 4	1519 0	-4.5	-
Broker Funds				
Prof Pen Fd	96.5	101.6	-0.5	-
YRA Strategy	119 1	125 4	-0 4	-
Langham Dollar (SE)	140 9	148.3	-1.5	-

Allied Dunbar Assurance Plc

Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

	Bid Price	Offer Price	+ or -	Yield Gross
Fixed Int. Dep Acc	261.5	275.3	-0.1	-
Equity Acc	864 4	909 9	+5 2	-
Property Acc	494.7	520 8	-0 1	-
Far East Acc	207.3	218 3	+1 0	-
European Acc	23 8	25.1	+0.1	-
Managed Acc	681.1	717 0	+3 5	-
Managed Cap	386.5	406 9	+1 9	-
O'seas Earnings Acc	570.9	601 0	+2.8	-
Gilt Edged Acc	307 6	323 9	-0.1	-
American Equity Acc	476.3	501 4	+0 2	-
American Man Acc	220 7	232 4	+0.4	-
American Prop Acc	151 1	159 1	+0 5	-
Pen F I Dep Cap	288 3	303 5		-
Pen F I Dep Acc	494 6	520.7	+0 2	-
Pen Prop. Cap	581 0	611 6	-0 1	-
Pen. Prop. Acc	1100 3	1158.3	+0 2	-
Pen. Man Cap	831 4	875.2	-0.6	-
Pen Man Acc	1574 1	1657 0	-1.1	-
Pen Gilt Edg Cap	310.7	327 1	-0.1	-
Pen Gilt Edg Acc	480 7	506 1	-0 1	-
Pen. Eq Cap	1365 1	1437 0	-1 6	-
Pen Eq. Acc	1959 0	2062 2	-2 0	-
Pen Am Eq Cap	157.5	165 8	+0.4	-
Pen Am Eq Acc	190 4	200 5	+0 5	-
Pen Far East Cap	246 6	259 6	-1 2	-
Pen Far East Acc	298.2	313 9	-1.5	-
Pen Euro Cap	27 2	28.7	-0 1	-
Pen. Euro. Acc	29 7	31 3	-0 1	-
Pen O S Acc	542.4	569 6	+0 2	-
Pen O S Cap	325 1	341.4	+0.1	-

Continued on next page

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OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

[illegible]

ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

BRITISH FUNDS—Contd

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

[illegible]

Money Market Bank Accounts

[illegible]

Money Market Trust Funds

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
597p	278p	Cullinet Sftwr 1c.	579p	−15	–	–	–
27¾	21¼	Dana Corp. $1	27¼	+¼	$1.60	–	3.7
12	854p	Data General	11½	+¼	–	–	–
38	28¾	Dun & Bradstreet $1	37½	−¼	$2.00	–	3.3
41½	30½	Eaton Corpn 50c	39½	−½	$2.00	–	3.2
11½	8⅞	Echlin Inc.	11¼	+⅛	70c	–	3.9
20⅞	16⅞	FPL Group 1c	19⅜	+¼	$2.22	–	7.2
32⅞	27⅜	Ford Motor $1	31½	−¼	$3.00	–	6.0
45½	30⅝	GATX 62½c	44½	+½	$2.00	–	2.9
35⅛	24⅛	Gen. Elect. 63c	34⅞	−½	$1.64	–	3.0
558p	484p	General Host Corp $1	527p	−4	30c	–	3.6
39½	26	Gillette $1	26½	+⅛	96c	–	2.3
997p	616p	Gt Am First Svg Bk $1	822p	−23	60c	–	4.6
23⅜	15¾	Greyhound $1½	21⅞	−⅛	$1.32	–	3.8
14½	847p	Hasbro Inc 50c	14½	+⅛	16c	–	0.7
49⅞	32½	Honeywell $1½	49½	+⅛	$2.10	–	2.7
21⅛	15⅛	Houston Inds	20⅛	+⅛	$2.96	–	9.0
74⅛	63⅛	IBM Corpn $1¼	72⅛	+⅛	$4.84	–	4.2
55p	45p	Image Storage Sys. 1c	50p	−5	–	–	–
28⅞	19⅛	Ingersoll-Rand $2	28	−⅛	$1.20	–	2.7
32	22½	Lockheed Crpn $1	31½	+⅛	$1.60	–	3.3
22⅛	15⅛	Lone Star Inds $1	20½	+⅛	$1.90	–	5.9
25	17½	Louisiana Land 15c	23⅞	−⅛	$1.00	–	2.7
17	11⅛	Lowe's 50c	16¼	−⅛	43c	–	1.8
25	15⅛	Manuf. Hanover $1	24⅛	−⅛	$3.28	–	8.5
20⅞	13⅛	Merrill Lynch $1	19	−⅛	$1.00	–	3.3
2253p	1910p	Molex Inc.	2015p	+4	3.2c	–	–
27⅞	18⅛	Morgan (JP) $2½	25⅛	–	$1.66	–	4.2
54⅞	36⅛	NYNEX $1	52⅛	−⅛	$4.36	–	5.2
24⅛	18⅛	PHH Corp.	23⅞	–	$1.12	–	3.0
259p	220p	Pacific Agr	242p	–	–	–	–
27⅛	19	PacifiCorp $3¼	26⅛	–	$2.76	–	6.4
27	16⅞	Pacific Telesis 10c	26⅛	+⅛	$1.88	–	4.4
22⅛	15⅛	Pall Corp 25c	20½	+⅛	48c	–	1.5
35⅛	29⅛	Pennzoil 23 1/3c	33⅛	+⅛	$3.00	–	3.6
25½	17⅛	Premark Intl	25⅛	−⅛	84c	–	2.1
42⅛	28⅛	Quaker Oats $5	42⅛	−⅛	$1.20	–	1.8
32⅛	25⅛	Rep NY Corpn $5	32⅛	+⅛	$1.28	–	2.5
15⅛	11⅛	Rockwell Intl $1	15⅛	+⅛	72c	–	3.0
35	21⅛	Southwestern Bell $1	33⅛	−⅛	$2.60	–	4.9
27⅛	17⅛	Sun Co. Inc. $1	26⅛	−⅛	$1.80	–	4.3
30⅛	22⅛	TRW Inc 62½c	29⅛	−⅛	$1.72	–	3.7
22⅛	14⅛	TW Services $5	21½	+⅛	10c	–	0.3

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

For Anglo Leasing see Anglo Grp

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

For Abbey Life see Lloyds Abbey Life

[illegible]

هكذا من الأصل

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INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

For Sonic Tape see Systems Connections

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	98	......
Craig & Rose £1... γ	720	......
Finlay Pkg. 5p.... γ	88	......
Holt (Jos) 25p..... γ	1330	+5

IRISH

Cap. 8½% Ln. 1991..	£90	......
9pc Cap Ln. 1996..	£98½	......
Fin. 13% 97/02....	£119	......
Arnotts..............	425	......
Carrol (P.J.)....... γ	145xd	......
Hall (R. & H.).......	165	......
Helton Hldgs....... γ	71	......
Irish Ropes..........	198	−13
United Drug..........	136	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	30
Amstrad	11
BAT	45
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Beecham	50
Blue Circle	48
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	48
Coats Union	32
Courtaulds	30
FKI Babcock	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	48
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	38
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal-Elect	40
RHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	10
TI	30
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42
Property	
Brit Land	32
Land Securities	52
MEPC	50
Raedsworth	28
Oils	
Brit Petroleum	21
Burmah Oil	58
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26
Mines	
Cons Gold	100
Lonrho	30
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Trade figures boost sterling

STERLING ROSE sharply yesterday after better than expected UK trade figures. The May deficit on the current account of £1.32bn was considerably less than the median forecast of a £1.6bn shortfall, while the visible deficit of £1.72bn was in marked contrast to the £2bn forecast.

The pound opened on a stronger note even before the figures were known. This was mainly a reflection of profit taking, notably against the D-Mark. The large interest rate differential working in sterling's favour, whereby sterling investments attract a much higher return (in acceptance of a much higher risk factor) than deposits denominated in other major currencies, makes it expensive to run short sterling positions for any length of time, unless the pound falls.

Yesterday the pound recovered, which prompted a scramble to cover those short positions, and the Bank of England made the squeeze on bear positions that much more painful by intervening in currency markets to buy sterling.

The May trade figures, although bad, served as a good illustration that it is primarily sentiment that is moving the pound at the moment rather than some objective appraisal of economic fundamentals.

Sterling's exchange rate index rose to 90.7 at the close, up from 90.1 at the start and 89.7 on Monday. This represents an appreciation of over one per cent since Monday. The figures gave sterling an additional boost because there still seems to be little chance of a cut in UK interest rates until the level of inflation has declined.

Sterling closed at DM3.0625, up sharply from DM3.0225 on Monday. It was also higher against the dollar at $1.5655 from $1.5450, and rose in yen terms to Y220.75 from Y217.50. Elsewhere, it finished at SFr2.6375 from SFr2.6025 and FFr10.3825 compared with FFr10.2550.

The dollar was ignored for much of the day in generally quiet trading. Investors seem wary of breaking through resistance at DM1.96 for fear of attracting central bank intervention. At the same time, the US unit retains a firm undertone. Its exchange rate index closed at 71.3 compared with 71.6 on Monday. The softer finish was sparked off by reports that Mr Alan Greenspan, chairman of the US Federal Reserve, had been admitted to hospital. There was no immediate reason why this should have weakened the dollar, but it did serve to illustrate how little there is at present to influence sentiment.

The dollar closed at DM1.9560 from DM1.9570 and Y141.10 against Y140.80. Elsewhere, it finished at FFr6.6325 from FFr6.6375 and SFr1.6840, unchanged from Monday. Much will now depend on May leading economic indicators, due for release today. Analysts' forecasts centre on a fall of 0.8 per cent

Sentiment has also been influenced by the proximity of tomorrow's meeting of the West German Bundesbank central council,

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 27	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.3496	+2.10	+0.96	±1.5344
Danish Krone	7.85212	8.06021	+2.65	+1.51	±1.5404
German D-Mark	2.05853	2.07102	+0.61	-0.52	±1.0981
French Franc	6.90403	7.02496	+1.75	+0.61	±1.3674
Dutch Guilder	2.31943	2.33364	+0.61	-0.53	±1.5012
Irish Punt	0.768411	0.776963	+1.11	-0.05	±1.6684
Italian Lira	1483.58	1495.50	+0.80	-0.34	±4.0752
Spanish Peseta	133.804	131.671	-1.59	N/A	N/A

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

June 27	Latest	Previous Close
£ Spot	1.5525-1.5535	1.5540-1.5550
1 month	0.56-0.54pm	0.57-0.54pm
3 months	1.88-1.85pm	1.79-1.74pm
12 months	7.10-7.00pm	7.25-7.10pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

June 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5455-1.5710	1.5650-1.5660	0.58-0.55cpm	4.33	1.70-1.65pm	4.28
Canada	1.8523-1.8710	1.8700-1.8710	0.29-0.18cpm	1.51	0.83-0.66pm	1.59
Netherlands	3.40¼-3.45¼	3.44¼-3.45¼	2⅛-1⅞cpm	6.95	5¾-5⅝pm	6.45
Belgium	62.25-64.00	63.90-64.00	31-29cpm	5.63	86-83pm	5.29
Denmark	11.81¼-11.91	11.90-11.91	5-4¾orepm	4.79	14¾-13½pm	4.64
Ireland	1.1340-1.1480	1.1445-1.1455	0.55-0.50ppm	5.50	1.40-1.30pm	4.72
W. Germany	3.02½-3.06½	3.06-3.06½	1⅝-1½pfpm	7.10	5¼-5⅛pm	6.86

Commercial rates taken towards the end of London trading. Belgian rate is for convertible francs. Financial franc 64.05-64.15. Six-month forward dollar 3.50-3.45cpm. 12 month 6.65-6.55cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

June 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
Netherlands	2.1920-2.2075	2.2020-2.2030	0.46-0.44cpm	2.46	1.20-1.16pm	2.15
Belgium	40.70-41.00	40.80-40.90	4.50-3.00cpm	1.10	10.00-7.00pm	0.83
Denmark	7.57½-7.62¼	7.60¼-7.60¾	0.45-0.20orepm	0.51	0.50-0.10pm	0.16
W. Germany	1.9445-1.9595	1.9555-1.9565	0.47-0.45pfpm	2.83	1.19-1.16pm	2.41
Portugal	162.95-163.55	162.95-163.05	65-65cdis	-5.52	225-285dis	-6.26
Spain	123.60-124.85	124.00-124.10	30-40cdis	-3.39	108-116dis	-3.64
Italy	1406-1416½	1413¾-1414¼	3.20-3.70liredis	-2.51	9.80-10.50dis	-2.88
Norway	7.10-7.14¼	7.11¾-7.12	0.27-0.52oredis	-0.67	1.80-2.10dis	-1.10
France	6.60¼-6.64½	6.63-6.63½	0.27-0.22cpm	0.44	0.60-0.40pm	0.30
Sweden	6.59¾-6.63¾	6.61½-6.62	1.03-1.18oredis	-2.00	3.25-3.50dis	-2.04
Japan	139.70-141.40	141.05-141.15	0.54-0.52ypm	4.53	1.43-1.40pm	4.03
Austria	13.70¼-13.78	13.70¾-13.71¾	2.85-2.35gropm	2.27	7.50-6.00pm	1.97
Switzerland	1.6715-1.6875	1.6835-1.6845	0.33-0.30cpm	2.25	0.89-0.85pm	2.08
ECU	1.0585-1.0630	1.0620-1.0650	0.48-0.58cdis	-5.99	0.60-0.80dis	-2.64

Commercial rates towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 40.90-41.00.

EURO-CURRENCY INTEREST RATES

June 27	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13½-13¼	13½-13¼	13⁷⁄₁₆-13⁵⁄₁₆	13⅞-13¾	14-13⅞	14-13⅞
US Dollar	9½-9⅜	9⅝-9½	9⅝-9½	9½-9⅜	9⅜-9¼	9⅛-8⅞
Can. Dollar	11½-11¼	11⅝-11⅜	11¾-11½	11⅞-11⅝	11¾-11½	11½-11¼
D. Guilder	6⅞-6¾	6⅞-6¾	6⅞-6¾	7⅛-7	7⅜-7¼	7⅜-7¼
Sw. Franc	7¼-7⅛	7⅜-7¼	7⅜-7¼	7⅛-7	7⅛-7	7-6⅞
Deutschmark	6⅞-6¾	6¾-6⅝	6⅞-6¾	6⅞-6¾	7⅛-6⅞	7⅜-7⅛
Fr. Franc	9¼-9	9¼-9	9¼-9	9¼-9	9¼-9	9⅜-9¼
Italian Lire	11-9	13½-12½	12¾-12¼	12⅛-11⅞	12⅛-12	12⅛-12
B. Fr. (Fin)	8¾-8⅝	8½-8⅜	8⅝-8½	8⅝-8½	8⅝-8½	8½-8⅜
B. Fr. (Con)	9-8¾	8⅝-8½	8⅝-8½	8⅝-8½	8⅝-8½	8⅝-8½
Yen	5¼-5⅛	5⅜-5¼	5⅜-5¼	5⅜-5¼	5⅜-5¼	5⅜-5¼
D. Krone	9⅛-9	9¼-9	9⅜-9¼	9¼-9⅛	9⅜-9⅛	9⅜-9⅛
Asian $Sing	9½-9⅜	9⅝-9½	9⅝-9½	9⅝-9½	9⅝-9½	9⅜-9

Long term Eurodollars: two years 9¼-8⅞ per cent; three years 9¼-8⅞ per cent; four years 9¼-8⅞ per cent; five years 9¼-8⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

June 27	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.566	3.063	220.8	10.38	2.638	3.448	2213	1.871	64.00
$	0.639	1	1.956	141.0	6.628	1.685	2.202	1413	1.195	40.87
DM	0.326	0.511	1	72.09	3.389	0.861	1.126	722.5	0.611	20.89
C $	0.534	0.837	1.637	118.0	5.548	1.410	1.843	1183	1	34.21
B Fr.	1.563	2.447	4.786	345.0	16.22	4.122	5.388	3458	2.923	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Squeeze on short positions

REACTION ON Liffe to the better than expected May UK trade figures was sharp, but fairly predictable. Short sterling rose strongly in active trading of over 53,000 lots for September delivery. This contrasted with Monday, when trading was fairly quiet, at about 23,000.

There had been no sign of panic selling in the run up to the trade figures, but this was largely because of steady selling over a period of some days, leaving the market very short in expectation of bad data.

September short sterling had already been driven down near to a support point of around 85.40 on Monday and opened slightly higher at 85.48 yesterday, as traders began to consider the need to cover short positions.

Short sterling continued to rise in the morning, as dealers pondered the possibility that even if the trade figures were bad it might not lead to an immediate rise in bank base rates, while if the data were good it would inevitably produce a squeeze on bear positions as the market rushed to buy the contract.

By the time the figures were announced the September contract had climbed to 85.65, and then as a very sharp squeeze developed rose to a peak of 86.11, before closing at 86.10 compared with 85.46 on Monday.

MONEY MARKETS

London rates fall

RELIEF FLOWED through the London money market as yesterday's announcement of the May UK trade figures ended fears of an immediate rise in bank base rates. On the other hand there were signs of growing pressure on rates in Frankfurt, although speculation that official West German interest rates are heading higher may be premature.

The trade deficit was below the general level of forecasts, leading to a rally by sterling and an easing of upward pressure on London rates. Reaction in the market was that the need for higher base rates has faded but this does not mean there is much prospect of lower rates for some time.

UK clearing bank base lending rate 14 per cent from May 24

Three-month sterling interbank fell to 14-13⅞ per cent from 14⅛-14 per cent.

Publication of the trade data was quickly followed by reassurance from the Bank of England on interest rates. In recent days the central bank has tended to leave its market operations until late in the day and to keep credit conditions tight. This has allowed greater control over the level of short term interest rates and has made speculation against sterling more expensive, but yesterday the authorities provided enough help during the morning to take out the full underlying shortage.

The Bank of England initially forecast a money market shortage of £650m, but revised this to £750m at noon. Total help of £749m was provided, when the authorities bought band 1 bank bills at 13¾ per cent before lunch.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £187m, with Exchequer transactions absorbing £510m and bank balances below target £35m. These outweighed a fall in the note circulation adding £80m to liquidity.

In Frankfurt there was some fear that official concern about inflation could lead to a rise in the German discount or Lombard rates at tomorrow's Bundesbank council meeting. On balance this seems unlikely however, following recent figures showing slower M3 money supply growth and lower import prices.

The money market remained short of funds and call money rose to 6.45 per cent from 6.40 per cent, touching the Bundesbank's Lombard emergency financing rate of 6.50 per cent in places. Banks are required to have a minimum average level of reserves at the Bundesbank. The amount is set by the central bank each month. Tax payments have led to a fall in the level of these reserves recently, creating heavy demand for money.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 27) 3 months US dollars: bid 9¼ offer 9⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Lunchtime: Prime rate 11; Broker loan rate 10½-¾; Fed funds 9⅝; Fed funds at intervention -. Treasury Bills and Bonds: One year 8.32; Two year 8.30; 10-year 8.11; 30-year 8.09.

June 27	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.40-6.50	6.50-6.60	6.65-6.75	6.75-6.90	6.85-7.00	6.50
Paris	9-9⅛	8¹⁵⁄₁₆-9¹⁄₁₆	8¹⁵⁄₁₆-9¹⁄₁₆	8¹⁵⁄₁₆-9¹⁄₁₆	9-9⅛	7.00
Zurich	6⅞-7⅛	6¾-7	-	6¾-7	-	-
Amsterdam	6.75-6.87	6.95-7.05	-	7.08-7.18	-	-
Tokyo	4⅞-4¹¹⁄₁₆	5⅞-5¹¹⁄₁₆	-	5⅜-5⅝	-	-
Milan	12¼-12½	12⅜-12⅝	-	12⅜-12⅞	-	-
Brussels	8.90	8⅜-8½	-	8⅞-8⅝	-	-
Dublin	8⅛-8⅜	8¾-9	9-9¼	9⅜-9⅝	9⅜-9⅝	-

LONDON MONEY RATES

June 27	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14	13⅞	14	14⅛	14½	14⅛
Interbank Bid	10	13⅝	13¾	13⅞	14	14
Sterling CDs	-	-	13⅝	13⅞	13⅞	13¾
Local Authority Deps.	13⅞	13¾	13¾	14⅛	14¼	14⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	13⅞	13¾	13½	13¾	-	-
Company Deposits	-	-	13⅞	14⅛	14⅛	14⅛
Finance House Deposits	-	-	13¾	14	14	13⅞
Treasury Bills (Buy)	-	-	13⅞	13⅞	-	-
Bank Bills (Buy)	-	-	13⅞	13½	13¾	-
Fine Trade Bills (Buy)	-	-	14⅛	14¼	13⅞	-
Dollar CDs	-	-	9.50	9.25	9.10	9.05
SDR Linked Dep Offer	-	-	8⅝	8⅝	8⅝	8⅝
SDR Linked Dep Bid	-	-	8⅜	8⅜	8⅜	8⅜
ECU Linked Dep Offer	-	-	8¹⁵⁄₁₆	9⅛	9⅜	9⅜
ECU Linked Dep Bid	-	-	8¹³⁄₁₆	8¹⁵⁄₁₆	9⅛	9⅛

Treasury Bills (sell): one-month 13⅞ per cent; three months 13⅞ per cent; Bank Bills (sell): one-month 13¾ per cent; three months 13⅞ per cent; Treasury Bills: Average tender rate of discount 13.6141 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 31, 1989. Agreed rates for period June 26 1989 to July 25, 1989, Scheme I: 14.02 p.c., Schemes II & III: 14.45 p.c. Reference rate for period April 29 to May 31, 1989, Scheme IV&V: 13.151 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13½ from June 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1, 1988, Deposits withdrawn for cash 5 per cent.

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 44,681
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm. Bk. N. East	14	Northern Bank Ltd	14
AAB - Allied Arab Bk	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe G'rantee	14½
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williamson Secs.	14
Bank Hapoalim	14	First National Bank Plc	15	Standard Chartered	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	● Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	● Hambros Bank	14	Westpac Bank Corp.	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14
Beneficial Bank PLC	14	● Hill Samuel	§14	Yorkshire Bank	14
Berliner Bank AG	14	C. Hoare & Co.	14		
Brit Bk of Mid East	14	Hongkong & Shangh	14		
● Brown Shipley	14	● Leopold Joseph & Sons	14		
Business Mtge Tst	14½	Lloyds Bank	14		
CL Bank Nederland	14	Meghraj Bank Ltd	14		
Central Capital	14	McDonnell Douglas Bnk	14		
● Charterhouse Bank	14	Midland Bank	14		
Citibank NA	14	Mortgage Express Ltd.	‡13.75		
City Merchants Bank	14	Mount Banking	14		
		Nat Bk. of Kuwait	14		

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JOTTER PAD

CROSSWORD

No.6,971 Set by CINEPHILE

ACROSS

1 Intriguing effect of electric blanket? (6)
4 I defame a Briton, for example (8)
10 Boy goes to yard with assent soon after start of spring (4,3)
11 Russian statesman begins on students in Glasgow (7)
12 Important part of an orange (4)
13 Negro directors for demonstration (10)
15 Teacher with little time is a poor performer (6)
16 Musical note in condition for law (7)
20 The FT arrives having left inside a greeting (7)
21 A copper wants people with brains (6)
24 Howler with correction justifying one's efforts (10)
26 Goddess with two lives? (4)
28 Young deer, much loved, eating hay (7)
29 Royal fruit (7)
30 Underworld region to take one's attention (8)
31 Truly fashionable document (6)

DOWN

1 Home for whirlybird and her pilot maybe (8)
2 Season's board on harbour wall? (4,5)
3 Little boy in a whirl? (4)
5 Long tale: town achieves wisdom (8)
6 Boat race is organised with loops etc. (10)
7 A little Scotch at a play (5)
8 Strange desire to live (6)
9 Revolutionary transport? (5)
14 Snag: in short time Eisenhower wants transport (10)
17 Form of common ownership for newspaper run at speed (4-5)
18 Cooked meat and chip is stressful (8)
19 Little boy in funny kind of writing aid (8)
22 Pole used cloth and got nicked (6)
23 G-man's daughter can hold her drink? (5)
25 Control of the kidneys? (5)
27 Scheme to remove king from board (4)

Solution to Puzzle No.6,970

SOCIAL BALLOONS · HOLIER THANTHOU · ROADSTER FURROW · CAST ASPERSION · PADDINGTON BEAR · SEANCE DEADBALL · EMPHASIS VERONA · REARMOST LESSEE

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

AUSTRALIA

[illegible]

SINGAPORE

[illegible]

CANADA

TORONTO
2pm prices June 27

[illegible]

INDICES

NEW YORK — DOW JONES

[illegible]

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

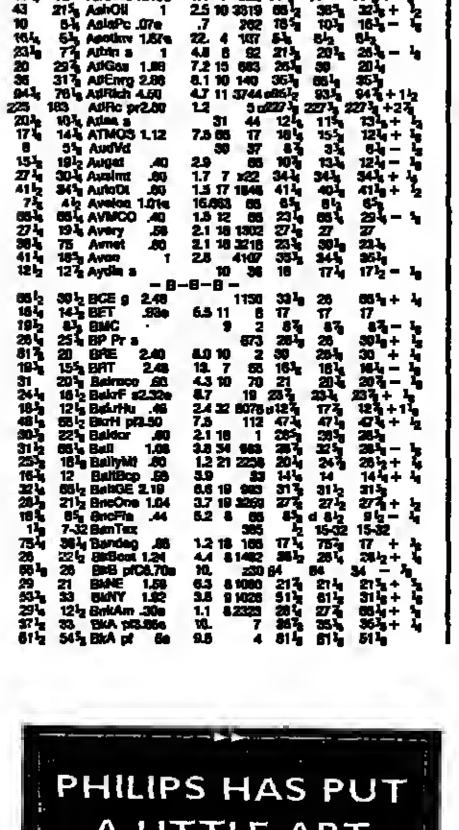
TOKYO - Most Active Stocks
Tuesday June 27 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Teikon	18.5m	1,640	+60	Showa W+C	10.3m	1,420	+00
Furukawa Elec	16.5m	1,340	+40	MHI	8.6m	1,210	0
Canon	15.7m	1,860	-150	Fujita	7.4m	1,980	+20
Ebara	12.9m	2,520	+50	Sumitomo Metal	7.0m	817	-5
Ohbayashi	12.3m	1,880	+30	Shinko Elec	7.0m	1,120	+70

3pm prices June 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
20⅛	21⅝	AAR	.44	1.4	26	75	30½	30	30½	+ ⅛
10⅛	8⅜	ACM n	1.01	11.		196	9⅛	8⅞	9⅛	– ⅛
11⅞	19¼	ACMIn	1.28a	11.		501	11⅛	11	11⅛	
18⅛	8½	ACM M	n1.01	11.		335	9⅜	8⅞	9½	– ⅛
11⅞	10	ACM Sc	1.26	11.		388	11¼	11	11	
0⅞	8⅞	ACMSp	1.01	11.		238	9¼	9	8¼	
17¼	19⅞	AL Lab	.12	.7	16	92	18⅞	18½	18⅝	+ ¼
6⅞	4⅛	AM Intl				1104	5⅛	5¼	5¼	+ ⅛
23½	19¼	AM In pf	2	9.2		10	21⅝	21⅝	21⅝	+ ⅜
85⅛	40⅞	AMR			6	5755	u66½	65⅛	66¼	+1⅛
6⅞	3½	ARX				108	4	3⅞	4	
43¼	35¼	ASA	3a	7.2		173	41⅛	41⅛	41½	+ ⅛
22⅛	19⅛	AVX	.24	1.2	10	153	20½	20¼	20½	+ ⅛
61⅛	43½	AbtLab	1.60	2.3	17	2148	68	59⅛	68⅞	+ ⅞
10	15⅛	Abitibi g	1			27	16	10	16	
12	7½	AcmeC	.40	3.4		20	11⅞	11⅞	11⅞	
9	5⅞	AcmeE	.32	4.1	18	15	7⅞	7⅞	7⅞	
34⅛	20¼	Acuson			26	123	33¼	29⅝	30¼	+ ⅛
16⅞	14⅛	AdaEx	1.82e	12.		109	15⅜	15½	15½	– ⅛
16⅞	7½	AMD				1536	10⅛	10	10¼	+ ⅛
43½	29⅛	AMD pf	6	6.6		5	33¼	33⅛	33¼	+ ⅛
15⅛	9½	Adobe				1463	u11	10⅛	10¼	+ ¼



Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	8	vjPNH pfB				28	10⅞	10½	10⅞	+¾
16½	6½	vjPNH pfD				2	11½	11½	11½	+½
16	6¾	vjPNH pfE				22	12	11½	11¾	+¾
13¼	6¾	vjPNH pfF				48	11½	11¼	11½	+¾
15½	6½	vjPNH pfG				2	11⅛	11⅛	11⅛	
16⅞	13¼	PSvNM	.36j			2758	14⅝	14⅛	14½	+½
27½	22	PSEG	2.04	7.5	11	3415	27½	27	27⅜	+⅜
76	65½	PSEG pf6.80		9.2		z50	74⅛	74⅛	74⅛	+⅛
84	71⅜	PSEG pf8.08		9.7		z50	83	83	83	+1
3⅝	1⅜	Publick				48	3	2⅞	2⅞	−⅛
51¾	36¼	PR Cem	.66a	1.4	9	114	47⅜	47	47¼	+⅜
21	18	PugetP	1.76	8.5	10	684	20⅞	20⅝	20⅝	
8⅝	7½	PHiCS	.95	11.		39	7⅞	7⅞	7⅞	
10⅞	9⅞	PHYM a				428	13	9⅞	10	
10⅛	8⅝	PIGIT	1.01	11.		305	9⅛	9⅛	9⅛	−⅛
10⅞	9⅞	PMMI	n.09e	.9		215	9⅞	9⅞	9⅞	+⅛
9⅞	8⅝	PMIIT	1.03a	11.		644	9	8⅞	9	
9⅞	8⅝	PMIT	1.10a	12.		824	9⅛	9⅛	9⅛	
9⅞	8⅞	PPrIT	1.14	12.		1572	9½	9⅜	9⅜	
11⅞	5⅛	Pyro			64	709	11⅞	11⅞	11⅞	
9¼	6	QMS				222	8½	8⅜	8½	
1⅞	5-16	Qantel			1	89	9-16	½	½	
66¼	42⅝	QuakrO	1.20	1.8	21	2146	66¾	65⅛	65⅞	+½
22⅞	15⅞	QuakSC	.80	4.7	37	1173	17⅛	16⅞	17⅛	+⅜
19	11⅝	Quanex	.32	2.2	6	234	15	14¼	14⅝	−⅛
31⅛	26⅜	Quanx pf2.25		8.6		210	27⅛	26¼	26½	−¼
59½	39⅝	Quantm	6	7.4	6	673	40⅝	40⅛	40¼	+½
12⅛	9⅞	QstVl	1.20e	10.		131	16	11⅞	11⅞	−⅛
11¾	7¾	QstVC				133	11½	11⅜	11½	+⅛
36⅞	31	Questar	1.68	5.2	25	78	36⅞	35	35¼	+⅛
16⅝	10¼	QkRelly	.24	1.6	18	78	15¼	15⅛	15¼	+¼
		— R—R—R —								
12	10⅝	RAC In	n1.32	12.		58	11½	11⅜	11⅜	−⅛
10½	2¼	RAC	1.09e	46.	4	3319	2⅜	d 1⅞	2⅜	−⅛
24	20⅝	RJR pf				9383	23½	23	23	−⅜

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. [illegible]

AMEX COMPOSITE PRICES

5pm prices June 27

OVER-THE-COUNTER

Nasdaq national market, 5pm prices June 27

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Wilamt	1.45	7	338	42	41½	41⅝	+⅛
WilsTr	1.24	16	67	36⅝	32¼	35½	+⅝
WiserO	.80	30	209	16⅞	16⅝	16⅝	+¼
Wolohn	.28	9	273	17⅞	17½	17½	
WivEx b			450	8½	8⅜	8½	+⅛
Worthg	.48	14	2857	22⅛	21½	21⅞	+⅜
Wyman	.80	74	869	u20	19	20	+¾
−X−Y−Z−							
XL Dta s		19	141	22¼	22¼	22½	−⅛
XOMA			1456	18½	17½	17⅞	−½
Xicor		6	157	6⅞	6⅝	6⅝	
YelowF	.80	18	274	27½	27⅛	[illegible]	−⅛
Zycad			119	3⅛	2⅞	2⅞	−⅛

AMERICA

Hopes of weak economic figures push Dow to high

Wall Street

ANTICIPATING a further softening of the US economy, the Dow Jones Industrial Average recouped its Monday losses to reach a new post-crash high in heavy trading, *writes Karen Zagor in New York.*

At 2pm the Dow Jones Industrial Average was up 21.25 at 2,533.63, with 125m shares changing hands. On the New York Stock Exchange advances outpaced declines by about two to one.

At midday the Standard & Poor's 500 index was up about 2¼ points. The New York Stock Exchange Composite index rose by 1¼ points.

The stock market, unlike the bond market, was not moved by a rumour that Mr Alan Greenspan, chairman of the Federal Reserve, had suffered a heart attack. The Treasury's bellwether 30-year long bond slipped to its Monday close on the rumour, although it recovered quickly when the story was denied. By early afternoon the long bond was up ⅜ of a point at 108⅞, yielding 8.09. The Fed did not enter the market and Fed funds were at 9⅛ per cent.

The dollar slipped to Y140.50 in uneven morning trading in New York. However, by early afternoon it was back above Y141 at Y141.30 and DM1.9440, compared with Y141.15 and DM1.9579 in late Monday trading in New York.

In the absence of any economic news yesterday, both stock and bond markets were waiting for today's release of the index of leading economic indicators. This is expected to show further softening of the US economy. Analysts anticipate a decline of 0.9 per cent for May. The index was up 0.8 per cent in April.

The market was led by airline issues after a rumour that UAL, the parent of United Airlines, was an acquisition candidate. UAL leapt $7¾ to $147.

AMR, the parent of American Airlines, rose $1½ to $66¼. Delta Air Lines added $½ to $72¾ and USAir was up $¾ at $48¾.

The oil sector also posted strong gains. Chevron jumped $2¾ to $55¼, Exxon was up $¾ at $45¾ and Amoco added $1¼ to $46¾.

May department stores gained $2½ to $42¾ after the company announced that it was considering selling its discount department store operations.

Hasbro, the toys and games manufacturer, slipped $¼ to $21¾ following the death of the company's president. The issue was one of the most active on the American Stock Exchange.

Disney, the entertainment group, was up $2¾ at $98¾ in active trading after an analyst at Shearson Lehman Hutton raised his earnings estimates for 1989 and 1990.

Among other film companies, Columbia Pictures fell $⅛ to $22¾. Paramount, whose offer for Time Inc was rejected late Monday, fell $¾ to $60¾ in active trading. Time gained $1¼ to $164¾. Warner Communications was up $¾ at $59¾.

USX gained $¾ to $35¾. The big steel company dropped more than $2 in late Monday trading after a rumour that Mr Carl Icahn would sell part of his 11 per cent stake in the company.

Among blue chip issues, Philip Morris added $1¼ to $142¾ and Merck gained $¾ to $70¾, but GTE was down $¾ at $55¾.

Canada

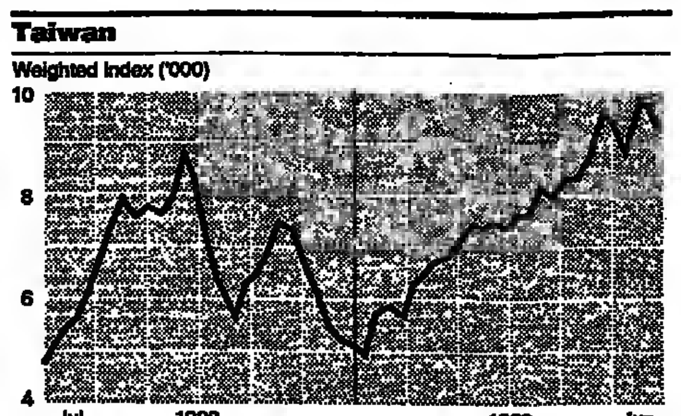
GOLD and oil and gas stocks led the market in Toronto which remained firm in mid-session trade, although a little down on the day's opening.

The composite index edged ahead 4.6 to 3,777.4, with advances leading declines by 254 to 182 on volume of 14.8m shares.

Taiwan keeps wary eye on fraud inquiries

Peter Montagnon explains the difficulties in controlling a highly speculative market

TAIWAN'S stock market dropped slightly yesterday after its record fall on Monday, but the net decline of 12.37 to 9,297.1 in the weighted index marked a recovery from an initial flurry of selling, which had seen the index slide by almost 400 points.



Brokers said the market remained nervous following the Government's attempt to crack down on the widespread practice among large investors of using surrogate accounts as a means of avoiding capital gains tax, which was introduced last year.

Yesterday's stabilisation – from a drop of 464 on Monday – came only after the Bureau of Investigation suspended its inquiry into Kuo Hua Security Company for its alleged involvement in surrogate account trading by Mr Weng Ta-ming, chairman of the Hua Lung Enterprises textiles concern.

The bureau cited shortage of manpower for temporarily halting its inquiry, but traders said the Government had become worried about the impact of a precipitous market fall.

The investigation into Kuo Hua was the second such case in the space of a week. Last week, the local Securities and Exchange Commission announced that it was probing Fu Long Securities, after allegations that it had used students as surrogates in order to evade capital gains tax, which is only levied on investors who trade more than T$10m (US$386,000) a year.

According to Mr Jo Wu of the Jih Sun Security Company, the market could fall further over the next few days as worries about the surrogate trading accounts accelerate a natural reaction to the latest upswing, which saw the index peak at 10,250 points last week – roughly double its level at the start of the year.

For the authorities, however, the affair has highlighted the difficulty of controlling a market where rapid gains have been swollen by high domestic liquidity and an illegal influx of hot money from other Asian countries attracted by the strength of the Taiwan dollar.

Stock trading in Taiwan is dominated by large retail investors and, aside from a handful of investment funds, including four reserved for foreigners with a total value of about US$800m, there are no institutional investors who can lend stability to the market.

Interest in stock trading has spread widely through the population with about 2.2m private investors, many of whom are small players. The Government risks political problems in the event of a market collapse, especially with the approach of elections in December, but it has also become increasingly worried about the inflationary effect of overvalued stock prices.

The introduction of capital gains tax last year was intended to dampen demand for equities and it led initially to a heavy setback in the market, but the surrogate account system then developed and prices again surged.

Although Taiwan's economy continues to perform moderately well, with growth stable at about 7 per cent, the stock market is notorious for its lack of response to fundamentals.

Demand is driven by the country's high savings rate and lack of alternative investment vehicles. Even within the stock market itself, equities are in short supply because there are relatively few large industrial companies and most Chinese entrepreneurs prefer not to dilute control of their businesses by permitting majority public ownership.

The difficulties facing many small and medium-sized exporters of items such as textiles and shoes, in the wake of the appreciation of the Taiwan dollar and rapid wage increases, have also driven many to seek to boost their earnings by stock market speculation. Brokers say this has aggravated the surrogate accounts problem.

Above all, the Government is now seeking to siphon off some of the country's excess liquidity into foreign investment as a means of cooling down the local stock market.

Last week it announced that three foreign brokerage firms would be permitted to set up offices in Taiwan to help channel private portfolio investment abroad.

Brokers say the chances of this making a significant difference in the long run are small.

Local investors are both mesmerised by their home market and inexperienced in dealing abroad after many years of being legally barred from doing so.

EUROPE

Bourses focus on the US in day of consolidation

IT WAS another thin day for news in Europe, with many bourses relying more heavily than usual on Wall Street for a lead, *writes Our Markets Staff.*

FRANKFURT continued to consolidate after its receot rally, as interest rate misgivings crept back into the market. Share prices closed mostly lower, with the DAX index losing 9.86 to 1,477.89 and the FAZ index easing 2.67 to 614.45.

Volume was more subdued than in recent sessions at a moderate DM4.45bn.

"There was a certain amount of reassessment over whether interest rates might have to go up," said one analyst, adding that a rise was unlikely but possible. The latest decision on the repo rate, due today, and tomorrow's meeting of the Bundesbank lay behind the reawakening of fears.

There was little corporate news. Siemens, tha most active stock, picked up in the aftermarket, reaching DM577.50 after closing at DM575.50, down DM5.50, after news of a contract from Bellsouth of the US for two digital telephone switching systems.

Machinery companies performed well, with MAN, which expects prodnction this year to rise 14 per cent, up DM1.40 at DM327.50, while cbemicals were weaker. Henkel, whicb reported higher sales on Monday, fell DM15 to DM520.50.

PARIS slipped in fairly thin trading, following Wall Street's heavy losses on Monday night. The trend in New York dominated the mood, with an early recovery on Wall Street yesterday taking French shares off their lows for the day.

A printing strike which halted production of most newspapers exacerbated the lack of stories. "The market is just biding time," said one analyst. "It was not a particularly memorable day."

Metaleurop provided one of the few bright spots, jumping FFr14.50, or 6.8 per cent, to FFr226.50 in very active trading. There was speculation that it would forecast a strong rise in profits this year at a meeting with analysts, while there were also rumours about a takeover of Preussag, its big West German shareholder.

Peugeot gained a further FFr8 to FFr1,741 before today's annual general meeting, which is due to approve a one-for-one share split. A forecast of a 53 per cent rise in first half earnings from brokers BZW Puget was an added boost.

Elf Aquitaine forecast a 30 per cent increase in first half group profits and put on FFr14 to FFr538.

The OMF 50 index fell 1.31 to 501.82 and the CAC 40 index was off 1.62 at 1,758.48 in volume put as low as FFr1.3bn. The opening CAC General lost 4.1 to 486.90.

MADRID saw strong gains in the cement sector and the general index rose 1.05 to 310.85, although volume stayed low.

Focsa jumped 325 percentage points, or 14 per cent, to 2,650 per cent of nominal market value. According to an analyst at Kleinwort Benson, abont 28,000 Focsa shares have been sold short and will have to be bought back before July 24, when the existing system of credit for margin trading provided by the Junta Sindical, the stockbrokers' regulatory anthority, comes to an end under Spain's "big bang".

"Somebody may have got cold feet and cancelled their short positions early," he said.

In chemicals, ERT and Cros, which are to merge, both rose sharply following newe that Banco Hispano had bought 4 per cent of the combined companies. ERT gained 17.5 to 346.5 and Cros rose 16 to 440.

AMSTERDAM had a thin day again, with only Fl 619m worth of shares traded, and stocks were depressed by Wall Street's overnight losses, tbough they ended off lows. The CBS tendency index lost 0.3 to 190.6.

Steel stock Hoogovens gained Fl 2.40 to Fl 116.50 after a couple of days of profit-taking, while retailer Ahold was pnsbed down Fl 2.70 to Fl 119.30 by Monday's news that SHV's 12 per cent stake was up for sale.

MILAN declined in light turnover, with the Comit index down 1.90 at 646.64.

Banking shares were lower, with BCI, which confirmed it was discussing a share swap with Paribas of France, falling L28 to L4,671.

STOCKHOLM investors focused on shares in Skanska, the building company, which climbed in heavy trading after it said it was poised to clinch a multi-billion dollar order for a power project in India with Asea Brown Boveri, the Swedish-Swiss engineering gronp. Skanska's free B shares added SKr5 to SKr530 while Asea rose sharply, its free B stock gaining SKr15 to SKr605.

ZURICH had another quiet day, opening weaker after Wall Street's overnight fall, but ending above its lows. The Crédit Suisse index eased 0.4 to 604.7.

BRUSSELS inched npwards in very quiet trade. The cash market index gained 7.47 to 6,115.74.

Société Générale de Belgiqne, the bolding company, gained BFr30 to BFr4,705 per share after heavy demand for the company's share offer.

VIENNA fell abruptly after reaching a series of new highs over the past month. The index shed 9.61 to 371.81, surprising some brokers who had not expected such a sharp correction. But one analyst pointed out that volumes were fairly low and the underlying mood remained positive – "it's just become a little overheated."

ASIA PACIFIC

Nerves over politics and yen depress Nikkei

Tokyo

A SLIGHT dip by Tokyo share prices in mixed trading was apparently in response to Monday's weakness on Wall Street and tbe dollar's recovery, *writes Yuriko Mita in Tokyo.*

Profit-taking preesure reinforced the downward trend and the Nikkei average closed 156.61 lower at 33,469.21, after moving from a high of 33,646.40 and a low of 33,445.17.

Advances led losses by 511 to 360, with 206 shares remaining unchanged. Trading was thin, with 569m shares changing hands, down from Monday's 441m.

The Topix index of all listed shares lost 8.06 to 2,481.74 and, in London, the ISE/Nikkei index shed 1.05 to 1,967.80.

Wariness over the present political situation in Japan kept many investors on the sidelines, analysts said. The Liberal Democratic Party (LDP) by-election defeat over the weekend seemed to reinforce concern that the LDP conld suffer a heavy defeat in the two forthcoming elections. If these fears materialise, the stock market is expected to suffer.

Investors also remained nervous about the yen, which continued to weaken during the session. One analyst, who expects tbe dollar to stay strong, said that would cause the Nikkel average to bover around the 33,000 level and that trading would stay thin.

The closing of the June trading account also contributed to the market's poor performance, as many investors refrained from taking large positions.

Investors showed interest in selected blne chips, notably those with environmental protection prodncts and those involved in Japan's magnetic levitation train developments. Furukawa Electric, a wire and cable maker, was the second most active share, closing Y40 higher at Y1,340. Other active shares in this category were Ebara, the pump and compressor maker, and Nippon Sanso, tbe industrial gases group.

Aisen Seiki, an automobile parts maker affiliated with Toyota Motors, was sought as a magnetic levitation-related stock and rose Y50 to its second consecutive all-time high of Y1,810.

Pharmaceuticals, such as Sankyo and Tanage Seiyaku, also attracted interest. Ono Pharmaceutical rose further, building on Monday's strong performance. Ono is attracting attention because of a drug that it is developing to treat diabetes-related illnesses. The drug is scheduled to be released next year.

The most active issue was Tekken Construction, a medium-sized group specialised in railway construction, closing Y60 higher at Y1,640.

Canon, down Y150 at Y1,850 as shares went ex bonus, was third most active. Canon plans to launch an 8mm camcorder that produces higher resolution images in Europe at the end of this year, in a joint venture with Sony.

Heavy-capital issues such as metals and shipbuildings proved popular in Osaka, helping the OSE average to rise 113.67 to 32,703.42. Volume improved to 75m shares against 61m shares on Monday.

Roundup

BARGAIN-HUNTING lifted Australia and Singapore off their lows, while Hong Kong eased a little.

AUSTRALIA was lifted off its lows by late bargain-hunting for blue chips, but most share prices ended marginally easier.

Window-dressing by institutions, before the end of the fiscal year on Friday, also helped the market rise above its lowest levels. The All Ordinaries closed 0.9 off at 1,508.5 in turnover of 106m shares worth A$222m.

Bond Corp, still suffering from the tribunal finding that Mr Alan Bond was unfit to hold broadcasting licences, fell 12 cents, or 11.8 per cent, to a year low of 90 cents. Bond Media was unchanged at 29 cents.

Hooker Corp, which plunged on Monday after being granted a debt repayment moratorium, regained 8 cents to 38 cents.

HONG KONG declined as turnover shrank as investors waited for further evidence of a return to stability in China.

The Hang Seng index lost 33.92 to 2,232.65 on turnover of HK$556m, down from HK$787m on Monday.

Cheung Kong lost 20 cents to HK$6.85 amid a rumour of a placing of 10 per cent. A total of about 5.7m shares changed hands.

SINGAPORE recovered from early losses following Wall Street's overnight fall, and closed a little higher. Bargain-hunting lifted prices off their lows and the Straits Times industrial index ended 4.04 up at 1,291.62.

Turnover was moderate at 88m shares, compared with the previous day's 71m.

Malaya Glass, which is due to release results soon, gained 28 cents, or 8 per cent, to S$3.54.

SOUTH AFRICA

SENTIMENT remained positive although the Johannesburg market ended quietly easier yesterday in reaction to Monday's marked gains. Vaal Reefs slipped R5 to R320 and Freegold 50 cents to R31.50 after Monday's respective gains of R15 and R2, reflecting a slightly easier bullion price.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JUNE 26 1989						FRIDAY JUNE 23 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (84)	132.78	+0.4	127.42	114.68	+0.2	5.14	132.80	125.17	114.48	157.12	128.28	144.34
Austria (19)	122.22	−1.3	117.29	124.34	−0.7	2.15	123.84	117.17	125.17	124.18	92.84	83.72
Belgium (63)	128.66	−0.7	123.46	130.40	+0.1	4.19	129.58	122.60	130.22	137.10	125.58	119.51
Canada (123)	140.95	−0.2	135.26	121.87	+0.0	3.28	141.27	133.66	121.88	141.80	124.67	126.99
Denmark (38)	195.59	−0.2	187.69	202.64	+0.8	1.66	195.96	185.40	200.96	195.96	165.35	127.96
Finland (26)	140.13	−1.0	134.47	129.01	−0.1	1.63	141.62	133.99	129.12	159.18	125.81	132.57
France (128)	120.92	−0.9	116.03	125.80	+0.0	3.01	122.05	115.47	125.92	122.79	112.57	95.45
West Germany (100)	89.59	−1.2	85.98	91.15	−0.3	2.23	90.72	85.83	91.45	90.72	79.58	74.94
Hong Kong (49)	94.36	+2.3	90.55	94.41	+2.3	5.87	92.23	87.26	92.30	140.33	88.41	108.43
Ireland (17)	133.82	−0.6	128.42	138.19	+0.0	3.05	134.69	127.43	138.13	151.36	125.00	135.50
Italy (97)	83.99	−0.5	80.60	88.82	+0.2	2.50	84.41	79.87	88.61	86.88	74.97	71.61
Japan (455)	178.25	−1.5	171.05	158.65	+0.2	0.50	181.04	171.29	158.38	200.11	164.22	162.13
Malaysia (36)	178.81	−0.3	171.58	185.93	−0.6	2.58	179.36	169.66	158.46	185.08	143.35	150.23
Mexico (13)	264.53	+0.1	253.84	720.15	−0.2	0.70	264.33	250.09	721.36	271.98	153.32	170.38
Netherland (42)	120.02	−0.7	115.17	120.79	+0.3	4.28	120.82	114.31	120.38	122.22	110.63	103.56
New Zealand (24)	67.57	−0.1	64.84	61.50	+0.5	6.04	67.64	63.99	61.17	76.02	62.64	80.32
Norway (26)	182.34	−0.1	174.97	176.71	+1.0	1.45	182.44	172.61	174.95	198.39	139.92	122.18
Singapore (26)	158.93	−0.2	152.51	143.04	−0.2	1.94	159.26	150.68	143.33	161.98	124.57	122.71
South Africa (60)	150.71	+2.8	144.62	132.84	+3.0	4.03	146.81	138.71	128.96	150.71	115.35	121.12
Spain (43)	147.62	−0.5	141.66	139.57	+0.0	3.66	148.36	140.36	139.53	156.17	143.14	154.17
Sweden (35)	165.19	−0.2	158.52	162.13	+0.7	2.12	165.56	156.64	160.97	165.56	138.45	117.71
Switzerland (57)	80.04	−1.5	78.80	83.56	−0.4	2.30	81.29	76.81	83.88	81.29	67.81	79.67
United Kingdom (314)	139.00	−1.0	133.39	133.39	+0.4	4.38	140.35	132.79	132.79	153.33	133.28	130.50
USA (555)	133.11	−0.4	127.74	133.11	−0.4	3.37	133.62	126.43	133.62	133.62	112.13	109.86
Europe (1005)	118.05	−0.9	113.28	117.04	+0.2	3.51	119.15	112.73	116.82	121.70	112.63	105.34
Nordic (125)	160.68	−0.3	154.19	154.49	+0.7	1.64	161.13	152.45	153.39	161.13	137.95	113.83
Pacific Basin (674)	173.43	−1.4	166.42	154.63	+0.2	0.73	175.93	166.45	154.32	194.72	160.44	159.26
Euro – Pacific (1679)	151.33	−1.3	145.22	139.56	+0.2	1.62	153.27	145.01	139.29	164.22	141.56	137.71
North America (678)	133.49	−0.4	128.10	132.42	−0.4	3.37	133.99	126.77	132.90	133.99	112.79	110.78
Europe Ex. UK (691)	104.62	−0.9	100.40	106.93	+0.0	2.88	105.57	99.88	106.93	105.57	96.30	89.67
Pacific Ex. Japan (219)	115.67	+0.8	110.99	104.53	+0.7	4.98	114.76	108.58	103.79	137.65	111.93	124.71
World Ex. US (1875)	151.03	−1.2	144.93	138.11	+0.2	1.69	152.85	144.62	138.81	162.77	141.49	137.20
World Ex. UK (2116)	144.10	−0.9	138.28	137.43	+0.0	2.05	145.44	137.61	137.46	146.04	138.98	128.23
World Ex. So. Af. (2370)	143.59	−0.9	137.79	137.07	+0.0	2.24	144.96	137.15	137.07	146.65	136.67	126.62
World Ex. Japan (1975)	127.28	−0.5	122.12	126.03	−0.1	3.48	127.89	121.00	126.15	127.89	114.51	109.56
The World Index (2430)	143.63	−0.9	137.83	137.04	+0.0	2.25	144.97	137.18	137.01	146.51	136.68	126.59

CONSTITUENT CHANGES: At the quarter-end review of the FT-Actuaries World Index it was decided to make tha following constituent changes with effect from July 3 1989: **Deletions:** Renouf Co (New Zealand).**Additions:** Schroders Property Fund and Westfield Trust (both Australia); Air Canada (Canada) and DAF NV (Netherlands).**Classification changes to existing constituents:** Amatil to Diversified Consumer Goods, CSR to BuildingMaterials and Elders IXL to Diversified Industrial (Manufacturing) (all Australia); Southdown to Building Materialsand Tenneco to Diversified Industrial (Manufacturing) (both US).
Latest prices were unavaliable for this edition.